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FINANCIAL TIMES

No. 27,428 Tuesday December 6 1977 \*\*12p

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NEWS SUMMARY

GENERAL BUSINESS

Skyjack crash kills 5 Britons Dollar weak; new high for tin

As an official inquiry started into Sunday night's crash of a hijacked Malaysian airliner in which all 100 people on board were killed, reports that the Japanese Red Army had been involved were discounted.

MPs back public inquiry into losses by Crown Agents

BY PHILIP RAWSTORNE

The Commons last night reasserted its ultimate authority over the Government and voted decisively for a public inquiry into possible neglect or breaches of duty that led to the Crown Agents' losses of £212m in property speculation and secondary banking.

Vance to tour Middle East

BY ANTHONY McDERMOTT

MR. CYRUS VANCE, the U.S. Secretary of State, is to begin a week-long tour of the Middle East on Friday in an attempt to keep the momentum towards peace negotiations going in the wake of the Libya meeting of Arab States and Palestinians most hostile to a negotiated settlement with Israel.

Notable gaps in Japan's trade plans

BY CHARLES SMITH, FAR EAST EDITOR TOKYO, Dec. 5.

AN EIGHT-point package for domestic economic measures of liberalising imports to Japan and correcting the country's current account surplus is expected to be agreed to-morrow by the Japanese Cabinet's economic council.

rawler sinks

Two men died when the £500,000 Oton trawler Boston Sea liner sank as she was hit by a rak wave five miles off Land's End. There were three survivors, including the skipper from the ar-old vessel.

ire deaths

mother and her three children died at Wisbech, Cambridge, when she refused to leave a blazing home while they were trapped in a back bedroom. Six-year-old Asian boy died in fire at his family's shop in London. According to an Union Research Centre poll, 87 per cent of those interviewed believe that firemen should settle within the 10 per cent pay guideline. Page 11

Labour review

The Labour Party is to carry out a searching review of its organisation and finances. The decision seen as a considerable victory for the left by trade union and radical MPs. Back Page

he 40 steps

A Queen will have to climb 40 steps when she opens Heathrow's new Picaresque Line extension on December 16 unless a strike of Otis lift engineers ends soon. Extension is expected to open up to 12m people a year. Page 9

an runs amok

A black policeman ran amok in New York, and shot 13 Africans, including five children, before being killed by riot police. Police said it was a civil crime unconnected with the nationalist campaign in urban guerrilla warfare. Stithwell Smith, Page 6

iefly

A suspected West man guerrilla, goes on trial in the Netherlands, accused of murdering a policeman. In Germany will deport 140 Spaniards accused of illegal activities by putting them on a flight to Karachi today. In Yorkshire four-vehicle pile-up on the A1 near Brough killed two people as ice piled a seven-mile stretch of road. Iranian U.S. diplomat David Kim, from 1973-74 his country's senior envoy in Peking, is the Chinese Revolution, has aged 75. Five students began a hunger strike outside the House of Commons to draw attention to the case of Soviet dissident Anatoly Sharansky, expected to face a treason trial. The River Thames at Epsom killed 65 lbs taken in the largest so far recorded in river.

Assurances on ships order

POLAND would not consider cancelling its £15m shipping order because of British shipbuilders' difficulties in placing the orders, embassy officials have said. Govan shipbuilders have agreed to take one of the orders so far unplaced. Back Page

LEAGUE table in a German magazine shows British workers as the third most hard working, surpassed by the Japanese and the Swiss. Page 4

GOVERNMENT is prepared to provide £50m. a year to finance measures to overcome skill shortages in industry, says the Manpower Services Commission. Page 11

NALGO general secretary has accused the Government of "unwarranted intrusion" in wage negotiations between public sector employees, and unions. Page 18

BP will spend £57m. on energy-saving projects in its chemical plants and oil refineries in the next few years. Page 8.

ELECTROLUX is making a £25m. agreed bid for Thoma AG of Switzerland. Page 24

IEF PRICE CHANGES YESTERDAY

Table with columns: Index, Change, Standard, Chartered, Bank, Sun Alliance, etc.

Industry's raw material costs continue to fall

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

PROSPECTS FOR a further significant reduction in retail price inflation were strengthened yesterday by Government figures showing that industry's raw materials costs in November were lower than a year ago after a fall for the seventh month running.

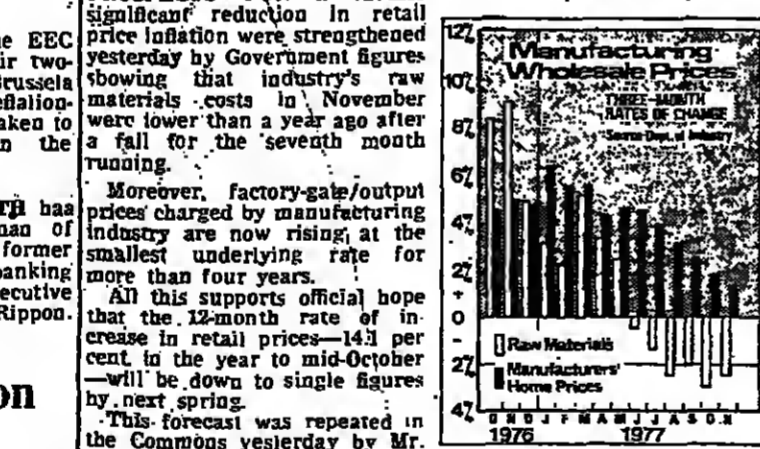


Table titled 'WHOLESALE PRICES (1970=100)' showing Output (home sales) and Raw Materials for various months from 1976 to 1977.

The real take-home pay of a married man on average earnings is now lower than in 1970, according to Treasury figures. Page 8

Successful £20m. NEB bid for Fairey angers Trafalgar chief

BY KEITH LEWIS

THE NATIONAL Enterprise Board has moved decisively to take over the greater part of the engineering interests of Fairey, Nuclear, Tress Engineering, Jerguson Tress Gage and Valve, Fairey Yacht Harbours, Fairey Exhibitions, Fairey Surveys, Fairey Yachts (Scotland) and Fairey Winches.

Priority

It is believed that one of Mr. Vance's priorities will be to get a clearer view of Mr. Sadat's intentions. At the same time, however, he will undoubtedly try to assure his Arab hosts that, as the State Department said yesterday, the U.S. was still "dedicated to a comprehensive settlement of the Middle East conflict."

Coal chaos: hazard for U.S. energy policy

Many Arab States are worried that the U.S. will be unable to meet its energy needs. Egypt is seeking a bilateral deal with Israel under the pressure of rejection by the other Arab States and because of Israel's patent willingness to make a deal over Sial.

After the Tripoli summit

After much bitterness and wrangling the Tripoli conference broke up yesterday with agreement on merely the lowest common denominators. Iraq walked out after only 40 minutes of the opening session in protest against the proposal made by Mr. Sadat's opponents.

Table titled 'FEATURES' listing various news items and their page numbers.

Table titled 'ON OTHER PAGES' listing various news items and their page numbers.

Advertisement for various companies including Kodak, EMI, and others, with logos and brand names.

Which companies choose Private Patients Plan?

Advertisement for Private Patients Plan, detailing the benefits of private health insurance and providing contact information.







AP Wirephoto

AMERICAN NEWS

U.S. coal strike will go ahead, warns mine workers' leader

BY STEWART FLEMING NEW YORK, Dec. 5. THE PRESIDENT of the United Mine Workers, Mr. Arnold Miller, said today that there was no chance of averting a coal industry strike from midnight tonight by the 130,000 miners in the union. There are reports already from eastern coalfields that miners did not report for work today, in anticipation of the stoppage. Companies in Ohio, West Virginia and Pennsylvania have said that some 2,500 miners have left their jobs, being convinced that a strike was at hand. Mr. Miller made his remarks when he arrived this morning for the latest round of bargaining with the negotiating arm of the coal companies, the Bituminous Coal Operators' Association. He said that the two sides are getting no closer, and when asked if a strike could be averted, he said, "No."

Pressure for inter-market securities system

BY JOHN WYLES NEW YORK, Dec. 5. THE SECURITIES Industry link would be created between them, so as to enable all their specialists to learn of the best price for a given stock. The Securities and Exchange Commission—which has been ordered by Congress to accelerate progress towards a national securities market—has so far been guarded in its judgment of the inter-market proposal, and has specifically criticised it for failing to safeguard public limit orders. These are orders which investors leave with specialists for execution when the price of a stock reaches a specified level. Without a protective mechanism, a trigger price could be reached on one exchange while other limit orders elsewhere remain unexecuted. In a speech at the week-end, listed stocks, in a pilot scheme Mr. Baldwin, who is president of Morgan Stanley, promised to work for the creation of an electronic "book" to store limit orders in the system. Reports out of the SIA convention have indicated that the designers of the new inter-market system envisage that, by early 1979, all thine federal tax system than any other in Washington. He became Assistant Treasury Secretary for Tax Policy this year. In this post, he has been responsible not only for the administration's attempts to begin fundamental reform of the tax system (now partly abandoned), but also with the taxation implications of pieces of legislation like the energy bill. Because of his long experience with Congress, Mr. Woodworth is considered the ideal man to guide new tax legislation through the myriad congressional committees which seek to alter and amend it.

Independent Quebec 'would have trade link'

By John Wicks ZURICH, Dec. 5. A CUSTOMS Union of Quebec with Canada would be inevitable if Quebec were to become independent, the provincial Finance Minister, Mr. Jacques Parizeau said here today. There would be heavy pressure from business to keep trade flowing in both directions, in case of a vote in favour of independence at the planned referendum, said Mr. Parizeau, who stressed the interdependence of industry in the greater Montreal and Toronto areas. Under present conditions, however, it was not certain that monetary union between Quebec and the rest of Canada would prove inevitable, or easy to achieve. The minister said that Quebec would be prepared to discuss the matter should the independence motion prove successful. Victor Mackie adds from Regina: The Government of Saskatchewan has introduced a retroactive oil well income-tax bill in the legislature to correct what the provincial Attorney-General, Mr. Roy Romanow, described as a "moral wrong." The bill, essentially an income-tax on money made from each oil well in the province, is a response to the finding of the Canadian Supreme Court last week which put in jeopardy about \$500m. in resource taxes collected since 1974. James Bay Project, Page 24

Bermuda damage estimated at \$5m.

HAMILTON, Dec. 5. THE LARGELY nosey presence of British troops to-day helped to keep the peace in Bermuda, which has been beset for the past four days by rioting, fire-bombings and racial tension. Police said that the island, which has suffered \$5m. worth of damage from fires, had been completely quiet since 9 p.m. on Sunday. Several officials credited the calm to the decision to call in the 250 troops who arrived last night from Britain and Belize. They boarded school buses and drove to the base camp headquarters of the Bermuda Regiment. They are being kept out of sight and will not be called on to the streets unless it is necessary, said Government sources. Bermudians counting up the damage caused by the troubles, sparked off by the hanging of two black murderers, have put damage estimates at about \$5m. Scores of people have been laid off because fires have destroyed their places of work. The island's great fear is that the troubles will affect tourism, the lifeblood of the Bermudian economy. The decision to bring in troops has been attacked by the black opposition Progressive Labour Party whose leader, Mrs. Lois Browne-Evans, called it an overreaction. The Government maintains that its own forces were exhausted and stretched beyond their limits. Reuter

Uranium suit may be settled out of court

BY OUR OWN CORRESPONDENT NEW YORK, Dec. 5. GENERAL ATOMIC, a partnership of Gulf Oil and Royal Dutch Shell, appears to be seeking an out-of-court settlement of a law suit by United Nuclear over uranium deliveries. In the court case, which began in the state of New Mexico last week, General Atomic is being sued by United Nuclear over uranium supply contracts worth \$15m. at the current price for uranium. United Nuclear agreed to supply Gulf with 27m. lbs. of uranium at a total cost of between \$250m.-\$260m. The contracts were subsequently assigned to General Atomic. It is now seeking to avoid making the delivery, and is relying heavily on arguments that, because of its involvement in the nuclear cartel, Gulf knew when it executed the agreement that the price of the uranium would subsequently rise. It is also saying that the involvement of Gulf in the cartel breaches anti-trust laws in New Mexico. Gulf has consistently argued that its association with an international uranium cartel did not affect U.S. uranium prices, because U.S. markets were specifically excluded from the cartel's agreements. The move by General Atomic to get an out-of-court settlement through an arbitration process could mean that the extensive documentation which United Nuclear obtained from the company to support its case may not become public. Also, it is thought that General Atomic may be calculating that it has a better chance of winning a favourable settlement in arbitration.

Beagle islets dispute

It is expected that Argentina will make a final decision this week on whether to accept or reject the decision, made in May, that three tiny islands at the southern tip of South America belong to Chile and not to Argentina. Robert Linley writes from Buenos Aires. Chile accepted arbitration of the British Crown over the islets in the disputed Beagle Channel.

U.S. SOCIAL SECURITY

The baby won't stop growing

BY NANCY DUNNE INFLATION IS taking its toll of the U.S. social security system: when it was founded 40 years ago, Americans paid no more than \$30 a year (one per cent of the first \$3,000 of annual income) to provide elderly workers with monthly retirement cheques. As the system undergoes, there were more than ten workers supporting every social security recipient. The programme was popular because the contribution was minimal, and every worker paying into the system confidently expected to receive similar support from the next generation of wage earners. During the first 38 years of its existence, social security (which corresponds roughly to British National Insurance) worked well. The system built up a \$47bn. surplus, while providing at least subsistence incomes for retired workers and their dependents, disabled workers and their dependents and workers' survivors. Another boon the scheme's founders did not anticipate was social security's importance to the Federal spending "floor" which cushions the economy during periods of recession. Now the system, having grown far beyond what its designers expected, has become a major drain on the government's budget. Its stability has impelled both Houses of Congress to pass bills which will raise the social security contribution and might put it on a sounder footing. To-day, one out of seven Americans receives social security benefits which this year will total almost \$88bn., the equivalent of about 11 per cent of all U.S. taxable income. The number of recipients has mushroomed over the years and social security taxes have had to be increased steadily since the early 1960s to support them. The Old Age Survivors and Disability Trust Fund has suffered deficits since 1976 and threatens to run out of money by the early 1980s. As in other industrialised countries, the precipitous decline of the birth rate and the fact that people are living longer and retiring earlier has led to serious fears about the long-term viability of the system. To-day there are only three workers for every beneficiary. Unless the system is altered dramatically, the ratio of workers to beneficiaries will get even worse. Projections show that in 30 years, only two people will be working for every one drawing benefits. The plan was originally designed to cover only working people. Later, immediate dependents were added. Then, among others, illegitimate children, students until the age of 22 and divorced wives (if they had been married at least 20 years). Medicare (health care for the elderly) has been included in the system and requirements for disability payments have been made considerably less stringent. The disability fund, which will be out of money next year or the year after is now paying out to more than 4.5m. people. The social security contribution is not, like the Federal income tax, progressive. All workers pay at the same rate, 5.5 per cent, and their contribution is matched equally by their employers. The rate is applied to an annual tax base,

Today's Chase.



Alan H. Ulrick - Vice President, Manager, Foreign Exchange Trading, London

The relationship bank that leads in foreign exchange dealing.

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OVERSEAS NEWS

WORLD TRADE NEWS

AFTER THE TRIPOLI SUMMIT 'Rejectionist' states fail in main objective

BY RICHARD JOHNS, MIDDLE EAST EDITOR

THE "REJECTIONIST" summit in Tripoli has left the Arab world in greater turmoil than ever over President Sadat's unilateral bid to obtain a peace agreement with Israel...

Agreement on a pact against Israel without Iraq, Jordan and Saudi Arabia amounts to ritualistic defiance and meaningless reassurance to Syria.

By rejecting an independent statement UN resolutions 242 and 338, the Palestine Liberation Organisation and the more extremist groups outside its fold have effectively taken the same position...

Even if Libya or, indeed, Saudi Arabia were to make immediately available their stockpiles of weapons, Syria would still have no military option...

The second main point of the limited consensus will have been the ostensible agreement to a freeze on diplomatic relations with Egypt that has left Arab ranks divided...

OPEC likely to seek moderate price increase

BY OUR FOREIGN STAFF

ONLY MODERATE claims for increasing oil prices would appear likely when the members of the Organisation of Petroleum Exporting Countries (OPEC) meet in Caracas from December 20...

'Drastic' proposals for Zambia economy

By Michael Holman

LUSAKA, Dec. 4

IN A FRANK and crucial survey of the Zambian economy, a Parliamentary Select Committee chaired by Finance Minister John Mwanakatwe has recommended drastic measures to deal with what President Banda very recently described as a "very, very critical" situation...

The committee, which includes Agriculture Minister Alex Chikwanda, was established in October this year following a speech by President Banda on the critical state of the economy...

The committee's recommendations were accepted by the National Assembly last week, though in terms of Zambia's constitution the ruling United National Independence Party (UNIP) and not Parliament, is the supreme body...

Problems

An eight-member delegation from the International Monetary Fund has been in Zambia for the last month, led by Dr. M. Russo, met Dr. Banda. Later this month President Banda will receive the report of a seven-member commission which is studying the problems of the copper industry...

With elections due next year, the report carries potentially far-reaching political implications. One of the most contentious issues will be the proposal to return the top heavy party and government structure...

Further, by recommending cuts in national expenditure and direct contributions by users to their costs, the report also raises questions affecting the socialist humanist philosophy of President Banda.

It seems Zambia is moving towards a substantial rural resettlement programme. In which participation may be compulsory for some.

Expansion

Although non-mineral revenue has increased from \$121m in 1967 to \$247.7m. This year, further expansion, says the committee, will be hampered by a contraction in the economy.

The latter takes up nearly 40 per cent of the 1977 budget, and although the committee does not make this point, much of it goes on defence.

North Sea oil lifts U.K. exports to West Germany

BY GUY HAWTHORN

FRANKFURT, Dec. 5

During the year, the quantity of West Germany's total oil imports in September—when British North Sea oil accounted for 67.9 per cent of total West German crude imports—the trade was worth DM136.1m. The reason for this has been a major switch in West Germany buying patterns...

Swedish car sales down 21%

BY JOHN WALKER

STOCKHOLM, Dec. 5

THE DOWNTURN in the sale of new cars in Sweden continued in November according to the latest report from the Swedish Association of Motor Manufacturers and Retailers. Sales for both new and second-hand cars were down 21.3 per cent in November...

Protectionism slows growth in Far East

By Our Foreign Staff

THE PACE of industrialisation in developing countries of South East Asia and the Far East is bound to slow down as a result of growing protectionism in the West...

MFA meeting resumed

BY DAVID EGLI

GENEVA, Dec. 5

MOVES to avert anarchy in international trade in textiles next year were resumed here today. The Community's textile negotiators, led ultimately by the GATT Textiles Committee...

Banks wary of ECGD change

BY LORNE BARLING

BRITISH-BASED foreign banks on fixed rate scheme lending from 22 per cent of sterling current accounts to 24 per cent. In an effort to reduce further the refinancing of export credits...

Dekorfa in £50m. Soviet deal

By Adrian Dicks

BONN, Dec. 5

THE Soviet Union has awarded a DM200m. (about £50m.) contract for the construction of a rubber production and blending plant to the West German Dekorfa Consortium...

£16m. orders for Swiss

By John Wicks

ZURICH, Dec. 5

ACCORDING to the Swiss Ministry of Defence, compensation orders worth a total of Sfr. Fr.55m. (£16.6m.) have been placed with Swiss industry to date in connection with the purchase of 72 Tiger fighter aircraft from the United States...

Machine tool group visits Moscow

THE BRITISH participants in an Anglo-Soviet working group on machine tool building left yesterday for an eight-day visit to Moscow.

The Machine Tool Trades Association-sponsored meeting, the sixth since the working group was set up, will discuss the question of long-term scientific and technical collaboration in the machine tool field...

Uranium venture

Japan's Overseas Uranium Resources Development Company (OURDA) said building will start in Niger next April of a plant to produce uranium ore concentrate...

Israeli imports

As from the start of this month 85-90 per cent of Israeli imports will no longer require special licences. Until now, import licences had to be obtained for thousands of items...

Consciences Sithole to challenge

MANILA, Dec. 5

A FILIPINO opposition leader, former Senator Benigno Aquino, yesterday challenged the seven members of a military tribunal to examine their consciences about whether they could give him a fair trial after having already sentenced him to death by firing squad...

ON OTHER PAGES

International Company News: Ectrolux new bid, AEG-Tелефон passes, Farming and Raw Materials: Copper output reduction, Coffee price down

Arrests in Pakistan

ISLAMABAD, Dec. 5

IN A determined effort to prevent the revival of political agitation, the Pakistani military authorities today arrested 21 journalists and newspaper workers in Karachi. They had mounted a strike in protest at the closure of the daily Mawza and the weekly Nusrat—both papers which have supported the deposed Prime Minister, Mr. Z. A. Bhutto.

The latter takes up nearly 40 per cent of the 1977 budget, and although the committee does not make this point, much of it goes on defence.

BOPHUTHATSWANA—THE LATEST BLACK HOMELAND IN SOUTH AFRICA

A new nation launched into limbo

BY QUENTIN PEEL IN JOHANNESBURG

THE REPUBLIC of Bophuthatswana today enjoys the dubious privilege of becoming the second independent Bantustan in South Africa, universally ignored and unrecognised outside its mother country. With all the traditional trappings of independence—

their rightful share in their natural country. It is the argument of the African nationalists and the black consciousness movement, which rejects tribal segregation...

Chief Lucas Mangope, who will be installed today as Bophuthatswana's first head of State, has one apparent advantage over Chief Kaiser Matanzima of the Transkei, who took the first plunge to independence last year: he has had one more head of State at his independence celebrations—not only Dr. Nico Diederichs, but also Chief African president, but also Chief Malanzima himself. Otherwise his guest list is remarkable only for its brevity and lack of glamour.

Just how widespread are the fears about the new system, and the resistance to Bantustan independence, is difficult to judge. Chief Mangope has struck a mainly Chief Mangope won an independent majority for his foreign status for his national August elections, winning 43 seats out of 48. But the turnout, especially in the urban areas, was very low.

Opposition to the homeland's independence is not, however, confined to the international community. There is widespread bitterness in South African black population about the seemingly inescapable progress of the homeland leaders towards their separate independence. The

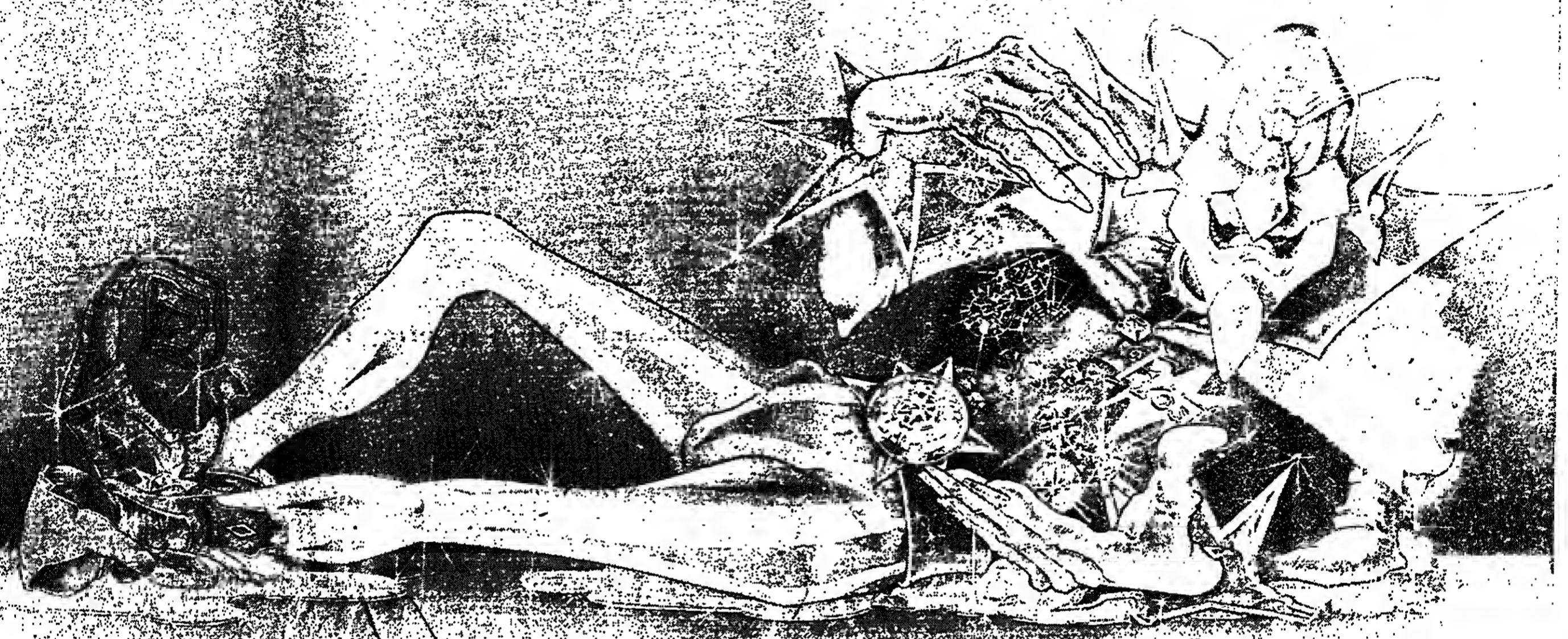
Chief Mangope declared that he would reduce to six ahead with independent plans if he failed to persuade Pretoria on the issue of citizenship. He also threatened to do so on the question of consolidation of the homeland, which at present consists of seven separate areas, soon to be reduced to six, spread across half the length of South Africa.



chrome and manganese. The industry contributes more than 50 per cent of the current GDP. The homeland also has agricultural resources which could make it self-sufficient, it is calculated. But even with massive development it is unlikely that Bophuthatswana will ever be able to provide adequate employment for all of its population, as defined by Pretoria. It will remain no more than a satellite in economic terms, and therefore probably politically too.

John H. ...

# Why Jack Frost deserves as much attention as Jack Jones.



It's a fact that companies who worry about their wage bill often do very little about their heating bill. Yet, for many, it is now one of the biggest operating costs of all.

With oil, for instance, now costing five times more than it did four years ago, the case for retaining an old-fashioned, inefficient factory heating system, on grounds of saving the capital expenditure on a new one, is totally outweighed by the costs of running it.

And we at Colt will prove it.

We'll survey your buildings and show you where you're wasting heat, what you can do about it, and what you can reckon to save.

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We'll even prove that the capital cost of Colt warm-air heating will be well within your resources. (We can tell you now that it can work out at half the cost of a boiler system to install and half of that is then recoverable through tax allowances).

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You'll find that it covers labour and material replacement costs on literally every single heater part during the entire 10 year guarantee period.

On top of this, we include commissioning of all Colt heaters, regular maintenance, and a really fast emergency service, by our own engineers. Give us a ring to arrange your free survey. And make it now.

It would be a pity if Jack Frost reached you before we did.

Colt International Ltd. (Health and Safety at Work), Havant, Hants PO9 2LY. Tel: Havant (0705) 451111. Telex: 86219.

# Average take-home pay down on 1970

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE REAL take-home pay of a married man on average earnings is less than when the last Labour Government lost the 1970 election.

This is indicated by Treasury figures in a written Parliamentary answer. The real weekly take-home pay of a married man with two children aged under 11 was £80.35 in September compared with £80.70 in June, 1970. Both calculations were at September, 1971, prices to adjust for the impact of inflation.

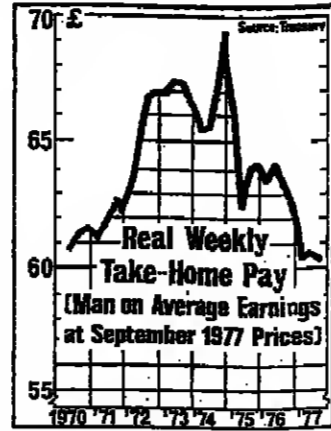
The peak was £89.22 in December, 1974, during the day of the explosion of the 1974-75 winter. The 121 per cent fall since then reflects the impact of pay restraint, a sharp rise in prices and a tax system which does not automatically adjust for inflation.

# Few signs of recovery in demand

THE LEVEL of demand in the economy remained sluggish during the autumn and showed few signs of the expected recovery. The final index of the volume of retail sales in October is even lower than the first estimate...

### HIRE PURCHASE CREDIT AND RETAIL SALES

Year	Hire purchase credit (£m)		Retail sales (£m)	
	Seasonally adjusted	Total	Seasonally adjusted	Total
1976	340	492	2,297	107.3
1977	324	459	2,363	107.6
1978	333	474	2,463	108.9
1979	420	558	2,662	108.5
1980	460	557	2,737	105.0
1981	460	568	2,865	103.9
1982	547	635	3,054	106.8
1983	178	189	2,461	106.7
1984	157	185	2,691	105.7
1985	168	183	2,737	103.1
1986	154	195	2,782	103.4
1987	171	187	2,836	104.4
1988	164	186	2,865	103.8
1989	163	200	2,906	107.0
1990	201	216	2,994	107.2
1991	183	219	3,054	106.2
1992	173	213	3,113	105.4



# BP to spend £57m. on energy-saving projects

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH PETROLEUM is to spend £57m. on energy-saving projects in its chemical plants and oil refineries over the next few years. Sir David Steel, the group's chairman, said last night that BP spent nearly £400m. on energy requirements last year and it was the group's intention to reduce consumption by 25 per cent over the 1973-80 period.

# October housing starts continue decline after September rise

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE SHARP rise in the level of new house building activity recorded in September was not continued during October. Builders started work on a combined total of 24,600 houses in the public and private sectors in October against a September total of 29,100.

Second Severn bridge mooted. By Anthony Moreton, Regional Affairs Editor. PLANS TO build a second bridge across the Severn estuary near where the existing one carries the M4 motorway from England into Wales are now being considered.

# World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on December 5, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

Scheduled Territory: (o) official rate; (F) free rate; (T) tourist rate; (n.c.) non-commercial rate; (n.a.) not available; (A) approximate rate; no direct quotation available; (sg) selling rate; (bg) buying rate; (nom.) nominal; (ex/C) exchange certificates rate; (P) based on U.S. dollar parity and going sterling dollar rate; (R) bankers rate; (Bs) bank rate; (c) commercial rate; (cn) convertible rate; (fn) financial rate.

Place and Local Unit	Value of \$ Sterling	Place and Local Unit	Value of \$ Sterling	Place and Local Unit	Value of \$ Sterling
Afghanistan (Afghani)	78	Germany (West) (Deutschmark)	4.001	Pakistan (Rupee)	100.00
Algeria (Dinar)	2.300	Ghana (Cedi)	2.075	Papua New Guinea (Kina)	22.70
Argentina (Peso)	164.00	Guatemala (Quetzal)	1.000	Philippines (Phil. Peso)	13.250
Australia (Aust. Dollar)	1.527	Hong Kong (Doll)	1.000	Poland (Zloty)	20.472
Bahamas (Bah. Dollar)	1.200	India (Rupee)	15.167	Portugal (Escudo)	200.000
Barbados (Barb. Dollar)	1.500	Indonesia (Rupiah)	1.500	Qatar (Riyal)	10.000
Belize (Belize Dollar)	1.000	Jamaica (Jama. Dollar)	1.000	Romania (Leu)	16.500
Bolivia (Boliviano)	8.000	Korea (Won)	100.000	Rwanda (Franc)	100.000
Botswana (Pula)	1.000	Malaysia (Ringgit)	1.000	Saudi Arabia (Riyal)	10.000
Brazil (Cruzado)	1.000	Senegal (C.F.A. Franc)	1.000	Switzerland (Franc)	1.000
Burkina Faso (C.F.A. Franc)	1.000	Singapore (Dollar)	1.000	Taiwan (New Taiwan Dollar)	1.000
Burundi (Burundi Franc)	1.000	South Africa (Rand)	1.000	Thailand (Baht)	1.000
Cameroon (C.F.A. Franc)	1.000	Spain (Peseta)	166.667	Tanzania (Shilling)	1.000
Canada (Canadian Dollar)	1.000	Sri Lanka (Sri Lankan Rupee)	1.000	Uganda (Shilling)	1.000
Cape Verde (Escudo)	200.000	Sudan (Sudanese Pound)	1.000	Uganda (Shilling)	1.000
Chad (C.F.A. Franc)	1.000	Switzerland (Franc)	1.000	Upper Volta (C.F.A. Franc)	1.000
Chile (Peso)	1.000	Tanzania (Shilling)	1.000	Vietnam (Dong)	1.000
Colombia (Colomb. Dollar)	1.000	Uruguay (Peso)	1.000	Yemen (New Yemeni Dollar)	1.000
Cuba (Cuba Dollar)	1.000	Vanuatu (Vatu)	1.000	Zambia (Zambian Dollar)	1.000

# Split in chemicals industry over development planning

BY KEVIN DONE, CHEMICALS CORRESPONDENT

DISAGREEMENT is growing in the chemicals industry as the industry prepares to spend more on development planning. The Government's industrial strategy exercise is seen to stress their commitment to the work of the sector working parties.

# Councils take moves against price fixing

By Elinor Goodman, Consumer Affairs Correspondent

THE ASSOCIATION of Metropolitan Authorities has asked its members to co-operate with the Office of Fair Trading to investigate registered price fixing operated by their suppliers of concrete.

# 'Think small and succeed' is lesson for unit trusts

BY ERIC SHORT

SUCCESS in the unit trust sector this year is coming from the funds that have thought small. Monthly tables published by the Financial Times show that the top positions are occupied either by funds that have concentrated on small companies or by small funds that have adopted an active investment policy.

# Scrap curbs on exchange Unilever chief says

Financial Times Reporter

BRITAIN SHOULD use the opportunity offered by North Sea oil to scrap exchange controls, Sir David Orr, chairman of Unilever, said yesterday.

# Welsh airline in service

BY RHYS DAVID

AIR WALES, the newly formed Welsh airline, begins its first services to-day between Cardiff and Rhosaf.

# Scottish port wins reprieve

A SCOTTISH port which lost £80,000 this year was yesterday given a reprieve for at least three years.

## Thomas Cook Bankers

### Thomas Cook Travellers Cheques

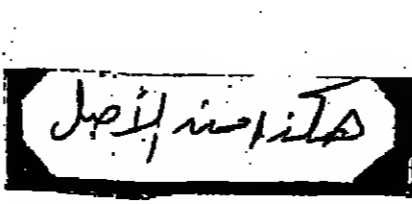
#### The accepted name for money. Worldwide.

# CBI sets up body to boost membership

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE CONFEDERATION of British Industry is to launch a membership drive in the New Year. As part of this operation it has set up a directorate of its members.

Mr. Kelsall's appointment are all pointers to the direction of the former Federation of British Industries in 1968 from Raleigh Industries. Mr. Kelsall last night is hoping in this appointment to capitalise on the new-found enthusiasm for the CBI. This was especially marked in the Brighton conference and will also be seen among members in the regions.





HOME NEWS

Second Severn bridge mooted

# Tube could take 12m. to Heathrow

BY MICHAEL DONNE

LONDON TRANSPORT and the Brussels and Charles de Gaulle, Airports Authority expect Paris. Trains to and from Heathrow Central will run every four minutes during peak hours on the passenger traffic to and from the airport, or up to 12m. 61 minutes during the mid-day period and every 7½ minutes during the evenings.

The extension has cost £30m. On Saturdays, trains will be timed every five to 10 minutes before 11 a.m. and after 9 p.m. 18 special trains for the route will be run during the mid-day period of each carriage.

The extension, to be opened by the Queen on December 16, will be to the existing Piccadilly line. This has already been extended from Hounslow West to Heathrow Central, a new station 80p and from King's Cross to Heathrow's 90p.

The station is linked by underground passages, equipped with moving walkways, to each of the three main passenger terminals.

The development makes Heathrow the world's first main air terminal to be directly integrated with the underground rail Transport for London system of a big city. Some other more than likely the escalators would airports have surface rail would not be working on time. Links to city centres, notably But London Transport did not atwick, south of London, feel this justified delaying it.

# Home-grown Christmas from BBC

By Arthur Sandles

THE BBC seems to have taken to heart mounting criticism of British TV's over-reliance on old films and imports as far as Christmas programmes are concerned.

Schedules for the festive period suggest a much stronger emphasis on home-grown products than is usual—although there is still a liberal sprinkling of old big-screen material.

The BBC's plan follows a recent top management reshuffle and a "last chance" ultimatum given a fortnight ago by Mr. Don Concannon, the Minister of State responsible for industry in Northern Ireland.

Strathearn's future has been very much in question this year because, since being put on a full commercial basis in January, 1977, it has continued to record losses now estimated at £2.5m. During the project's 1975-76 running-in period, expected and accumulated written-off losses reached £5.4m.

Unemployment

Just over a year ago the consultants Touche Ross, who were called in by the Northern Ireland Development Agency—submitted a crisis report recommending a drastic scaling-down of the project.

Strathearn Audio, situated in a long, squat building in Andersonstown, West Belfast,

## NEWS ANALYSIS—ULSTER HI-FI RESCUE PLAN

# Strathearn seeks last chance

BY GILES MERRITT

STRATHEARN Audio, the State-owned hi-fi manufacturer in Belfast, is under threat of closure. The company is this week submitting an emergency rescue plan to the British Government.

The scheme involves a detailed marketing strategy and a new product range, but would entail further significant subsidies during 1978 that would have to be added to the £5m. Strathearn has cost since 1974.

The Strathearn plan follows a recent top management reshuffle and a "last chance" ultimatum given a fortnight ago by Mr. Don Concannon, the Minister of State responsible for industry in Northern Ireland.

Strathearn's future has been very much in question this year because, since being put on a full commercial basis in January, 1977, it has continued to record losses now estimated at £2.5m. During the project's 1975-76 running-in period, expected and accumulated written-off losses reached £5.4m.



Don Concannon—gave an ultimatum.

was intended as the shape of things to come in Northern Ireland: a high technology, high employment operation which would enable public money to be injected directly into an area where unemployment exceeds 35 per cent.

The planners believed that, once Strathearn was trading profitably, it would provide 1,500 jobs and serve as a prototype for solving the province's particular problem of lack of enough employment in the Catholic ghettos.

On paper, the project looked a winner. Its product was to be a sophisticated direct-drive record player turntable which, with retail prices starting at £50, would undercut the expensive brands, notably from Scandinavia, whose market is the hi-fi enthusiast.

forced to face the fact that production was running at less than half the calculated and budgeted optimum rate, while at least half the units made were being found sub-standard on first inspection.

Strathearn has been forced to stockpile.

Mr. Shaw's view is that official concern that Strathearn should be an overnight success may have distorted the true picture of the company's achievements.

He argues that since the project involved transforming "a bog meadow, not even a green field" into a working operation in three years, when multinationals in Ulster have taken six to ten years, officialdom has been judging the company by "artificial standards."

Turnover

Four consultants from Touche Ross made a ten-week study with the brief of finding a long-term profits strategy. They reported that the full employment target should be reduced to 1,100, a number of executives should be replaced, and some production plans shelved. In the section of the report that was not disclosed, Touche Ross suggested a full-scale reappraisal of the company's prospects.

That was in October last year, and to-day the position is, if anything, worse. In January the development agency said that if Strathearn's "forward programme is maintained the company workforce will rise from 340 to 550 by 1979." It is currently 320.

Just what the turnover position is nobody outside Strathearn, the development and the Government own advanced amplifiers and radio tuners.

The sales pitch Mr. Concannon will hear is that by mid-1978 the financial position will have dramatically improved, and that although 1976 sales were "quite small" they have improved well this year. But with production no longer the problem it was and marketing difficulty.

Attitude

Whatever the rights and wrongs of Strathearn's past relationship with the people who hold the public purse strings, it is their attitude to the rescue plan that matters now.

In addition to a determined marketing drive, the company speakers only three inches deep that can be hung on a wall, and by 1975 intends to sell its agency, and the Government own advanced amplifiers and radio tuners.

The sales pitch Mr. Concannon will hear is that by mid-1978 the financial position will have dramatically improved, and that although 1976 sales were "quite small" they have improved well this year. But with production no longer the problem it was and marketing difficulty.

# Bid to speed planning appeals by industry

BY DAVID CHURCHILL

PLANNING APPEALS for four out of five appeals would be decided within five months if the date of appeal under the next month when regulations new regulations.

Meanwhile, Mr. Peter Shore, Secretary of State for the Environment, urged yesterday that local authorities be given new powers to speed urban renewal. A delegation from the Association of Metropolitan Authorities and London Boroughs Association told Mr. Shore that the new powers should not be reserved for the use of the few.

Big stores

Mr. Shore yesterday promised that the long-awaited new advice note to local authorities on the building of big stores would be published within the next two weeks.

The existing "policy" note, which some retailers blame for the planning difficulties surrounding these large developments, dates back to 1972. A draft of a revised note, which generally adopted a more positive attitude to large stores, was published in July last year but since then it is believed to have been modified with more emphasis on the need to regenerate urban areas.

# £2m. facelift planned for Glasgow's East End

GLASGOW'S East End, recently identified for its urban deprivation by a study group under the name Philip, is to get a £2m. area, providing accommodation for small businesses.

The district has unemployment areas of 20 per cent, and faces even longer queueing with steel work closures in nearby Lanarkshire.

Mr. Lewis Robertson, chief executive of the Scottish Development Agency which is co-ordinating the project, said he recognised that employment was crucial to its success.

# Cutlery industry split over cheap imports

FINANCIAL TIMES REPORTER

AN OPEN breach in Britain's cutlery industry now seeking organisation for cutlery was urged by the Government to help to curb imports of low price stainless steel cutlery, will emerge this month.

A public meeting is planned for Sheffield on December 15 to launch a new industry group, which will be named the British Cutlery Federation.

It is expected to adopt a ring-fenced all-British policy, and encourage the rejuvenation of the Government help far beyond the 50 per cent export quota sought by the established industry group, the Cutlery and Silverware Association.

The man behind the breakaway with the CSA, Mr. Price could be Birmingham cutler John Price, chairman of some Sheffield unions, already a member of the British Cutlery Federation.

He resigned his membership of the CSA after criticising the number of association members who are themselves major exporters.

Mr. Brian Viner CSA president industry.

# Leyland to merge Austin and Morris franchises

LEYLAND IS to merge its Austin and Morris franchises which make up the main part of the company's long-term aim of merging all franchises. However, Leyland intends to retain specialist franchises for the sale of Jaguar, Daimler, Land Rover, Range Rover and Rover cars.

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# Royal Mail Parcels



Specialists

LABOUR NEWS

Government accused of wage talks intrusion

By PAULINE CLARK, LABOUR STAFF
Mr. Geoffrey Drin, general secretary of the National and Local Government Officers Association—Britain's third biggest union—accused the Government yesterday of "unwarranted intrusion" into wage negotiations between public sector employers and trade unions.

Firemen's pay claim opposed in poll

By OUR LABOUR CORRESPONDENT
A MAJORITY of the people who voted in the poll on Friday to support the firemen's strike also opposed the union's demand for a 10 per cent pay rise.

BUSINESS AND INVESTMENT OPPORTUNITIES

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A DYNAMIC AND PROGRESSIVE INDEPENDENT COMPANY

supplying fresh foods to Caterers, wishes to acquire a small company operating in a similar field. Sub a company should be located in the South of England and must have a product or products of outstanding quality and have an impressive track record of competent management.

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urgently required for export. Best prices, immediate inspection and payment. No fuss.

Do an honest day's work, call by Judge

WORKERS SHOULD do an honest day's work in return for improved job security the law says. Mr. Justice Kilner said at the Employment Appeal Tribunal in London yesterday.

Raleigh men stay out

NEARLY 5,000 workers at the Raleigh cycle factory in Nottingham have yesterday voted overwhelmingly to continue their three-week-old strike over pay.

LAN TO BEAT SKILL SHORTAGE

£60m. support for training

BY ALAN PIKE, LABOUR CORRESPONDENT
THE GOVERNMENT is prepared to make £60m. a year available to help finance measures aimed at overcoming the shortage of skilled workers in industry.

Rolls-Royce pay offer

MEMBERS of the Amalgamated Union of Engineering Workers, the Transport and General Workers Union, and the Electrical Union in the aero engine division of Rolls-Royce have been offered rises of between 8 per cent and 11 per cent.

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1. Newly invented toothbrush of a kind that one must clean teeth simultaneously back and front (for the first time the correct way).

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PARLIAMENT and POLITICS

CROWN AGENTS DEBATE

MPs' vote backs call for public inquiry

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT was last night defeated over its attempt to ensure that the inquiry into the loss of £212m by the Crown Agents would be held in private. At the end of the emergency debate on the affair, MPs voted by a majority of 32 (188 to 126) that it should be held in public.



Mr. Wood... apologised for misleading answer.

1971, during which all opportunity of obtaining information or exerting control had been lost. His main disquiet now was over the course of action which the Government was proposing to take.

laid down by statute. There was need to incorporate the Crown Agents by legislation along the lines suggested in the 1976 White Paper. To this end, legislation would be introduced to give the Crown Agents a corporate status clearly stating their relationship with the Government.

Hattersley seeks way to slow price increases

BY IVOR OWEN, PARLIAMENTARY STAFF

POSSIBLE WAYS of ensuring longer intervals between price increases are under investigation by the Government, Mr. Roy Hattersley, Prices Secretary, told the Commons yesterday. But in agreeing with Labour backbenchers that moderation in wage settlements must be accompanied by moderation in price increases, he again ruled out a price freeze.

Sir Harold recalls documentation that was 'horrifying to read'

AT THE start of the debate, Mr. Mendelson said he did not accept the Government idea of an informal inquiry sitting in private.



Mr. Mendelson... who initiated the debate.

There is no room for misunderstanding. The Government committee of inquiry should be appointed under the procedure of the Tribinals of Inquiry (Evidence) Act of 1921, he declared. Attacking the Crown Agents' losses, Mr. Mendelson said: "The first reaction has been a feeling of disgust and shock that this should have been going on for almost 10 years."

Sir Harold said that legal advisers warned Mrs. Hart she could face a defamation action involving many thousands of pounds. This could include her having to sell her house. She was also told that if she raised the issue in the Commons, she could fall flat on her Parliamentary face.

vented and unadvised waster," the withholding of facts, and "the Parliament that did not bark in the night in those years. Conservative law spokesman Sir Michael Havers also called for an open inquiry. He conceded that an inquiry under the 1921 Act would be a "blunder."

He invited Mrs. Oppenheim to look at the latest forecast by the National Institute. "You won't find much support for your version there," he said. Earlier, Mr. David Price (C. Eastleigh) challenged Mr. Hattersley to a wager—a dinner—that the inflation rate would be

Tories startled by inflation claim

BY IVOR OWEN

A FORECAST by Mr. Roy Hattersley, Prices Secretary, that Britain will not only achieve a single-figure rate of inflation by next spring but maintain it throughout 1978 startled Conservative MPs in the Commons yesterday.

'Clip-board' selling condemned

BY IVOR OWEN

SO-CALLED "clip-board" selling by attractive girls in the street was condemned as deceptive and reprehensible by Mr. John Davies, Minister of State, in the Commons yesterday.

A lesson to be drawn—MP

Mr. George Cunningham (Lab., Islington S. and Finsbury), one of two MPs who resigned from the Commons Select Committee on Overseas Aid in May, 1974, when it decided to drop an investigation into the Crown Agents, said the committee had encountered the attitude that the Crown Agents were "not to be done with the House of Commons."

ment which took the committee to Katmandu. There was a lesson to be drawn on what it was appropriate for a Commons committee to do, Mr. Cunningham observed. If the committee had been operating between May and October, 1974, it could, by its greater power, have helped the then Minister for Overseas Development find out what was going on.

He explained that in accordance with policy laid down in 1947, "having satisfied myself that there were no grounds for believing that there had been a miscarriage of justice, I had no alternative but to advise Her Majesty not to intervene." Dr. Owen said that the Governor of Bermuda had consulted the colony's Premier and Ministers on whether a stay of execution should be granted.

He hoped that the measures and the appeal from the Governor for peace would restore harmony to the colony. Mr. John Davies, shadow Foreign Secretary, asked Dr. Owen to what extent trouble had been caused by the independence issue. He also called for the record of capital crimes in the past.

Owen indicates limit on power to act over death sentences

BY IVOR OWEN

Bermuda on Sunday and had since been joined by a company of the Royal Regiment of Fusiliers from the Spearhead Battalion. He hoped that the measures and the appeal from the Governor for peace would restore harmony to the colony. Mr. John Davies, shadow Foreign Secretary, asked Dr. Owen to what extent trouble had been caused by the independence issue.

Spillings. A stylized logo or signature at the bottom of the page.

December 6 1977  
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# FINANCIAL TIMES REPORT

Tuesday December 6 1977

# FRANCHISING

Like many other business developments, franchising arrived in Britain from the U.S. Despite fluctuating fortunes both sides of the Atlantic, it has established itself as part of modern shopping and eating habits.

**Fresh force in retailing**  
By Elinor Goodman  
Consumer Affairs Correspondent

ing can provide a rapid route to growth.

In the U.S. franchising accounts for just over 30 per cent of retail sales and 10 per cent of the Gross National Product. In all, there are thought to be over 400,000 franchised outlets in the U.S. with a combined turnover of around \$240bn. The companies involved range over such diverse fields as fast food and weight control to employment services and business aids, like accountancy advice, and include well known names like McDonalds and Manpower as well as more obscure names like the Athletes Foot Company.

By comparison with the U.S. British franchising is still in its infancy. Estimates put sales through the 2,000 or so franchised outlets in this country at about £250m. But in England, too, some well known names have been built up on the strength of franchising. Most of them operate in fields which until their emergence were dominated by independent traders and which require working long hours—industries like catering, domestic services and printing. Fast foods have been perhaps the biggest growth area. Kentucky Fried Chicken and Wimpy bars are both franchise operations, though both companies run their own branches as well as franchised outlets. Some of the new entrants to the "ice-cream" market, like Dayvilles, are also franchise operators, while in the service area there are companies like Dyno-Rod and Servicemaster.

The motor industry has fattered a number of franchise organisations, like Pit-Stop, as well as some of the car rental companies. Some hotel chains, too—most notably Holiday Inns

—are also a form of franchise, though the capital investment involved usually means that the franchise is taken out by a company rather than individual.

**Standard**

To the customer there is often little to distinguish the franchised operator from a company-owned outlet. All the branches of Kentucky Fried Chicken, for example, look the same regardless of whether they are owned by the company or by a franchisee. Standardisation is one of the features of franchising. It is also one of the areas which can lead to friction between the franchiser and his more independent franchisees.

In essence, franchising is where a company establishes a contractual relationship with owners of separate businesses which operate under the franchiser's name in a specified manner to market the product or service. The franchisee pays a capital sum to the franchiser for the use of the trade name and initial training. He also pays the normal costs involved in running a business such as rent and wages, though the franchiser will sometimes help finance the purchase of equipment.

Once in business the franchisee pays a continuing royalty, in exchange for which the franchiser undertakes to provide continual training and administrative advice and advertising support—as well as the use of his brand name and any particular business formula he may have devised. In some cases, the franchisee is also guaranteed an exclusive trading area.

The royalty, ranging from perhaps 4 per cent, to as high

as 25 per cent, is either geared to sales or to whatever purchases the franchisee makes from the franchiser.

According to Dr. M. J. K. Stanworth, who has written a detailed study\* of the industry with a grant from the Social Science Research Council, the relationship must be an on-going one for it to have benefits for both sides. In theory at least the two parties depend on each other for their success and both are therefore working towards the common end of increasing their turnover.

It is this on-going relationship which distinguishes franchising, as defined by the newly established British Franchise Association, from methods like pyramid selling and some of the laundrette operations which proliferated in the 1960s. In both these situations companies at the top of the tree made most of their money from a once-and-for-all sale of equipment or the right to trade, and it was of little interest to them whether the person who had taken out the rights succeeded or failed.

Even so, most franchise operators demand a not inconsequential capital sum before allowing anyone to take out a franchise. This they say is necessary to get the right degree of commitment from the franchiser. The investment may in fact mean that an entrepreneur needs more capital when taking out a franchise than when starting out on his own.

To set up a Kentucky Fried Chicken branch, for example, would probably cost between £20,000 and £25,000 by the time the franchisee had acquired the right premises. Just under £2000 of that would have been paid to Kentucky in the form of an initial £1,000 "option fee" and

a £500 opening services charge. The same man might have been able to open a fried chicken shop under his own name for rather less. But against that he would not have had the support of Kentucky Fried Chicken or the use of the name, and the restaurant might not have been up to the standard of a Kentucky outlet.

In America one of the great advantages of taking out a franchise, rather than starting a business from scratch, is claimed to be the much lower failure rate. One figure quoted, for example, is that while 92 per cent of non-franchised businesses closed within five years of opening, only 12 per cent of franchised outlets met the same fate. To begin with, America is a higher risk business society than England, so this figure may not have such relevance to the British market, but it is certainly true that franchising can offer more security than total independence, while at the same time giving the franchiser some of the satisfaction of being his own boss.

**Advantages**

According to Dr. Stanworth, the franchisee buys himself a commercial advantage through the franchiser's expertise in a specific field. In this way he should be able to avoid the kind of mistakes which often bedevil the independent small businessman. Moreover, the link with a well-known company may make it easier for an individual to borrow the money necessary to start up in business.

Against this, there can be disadvantages for the franchisee. The long hours which seem to be almost inherent in running a franchise may be worth it in

view of the financial rewards, though the franchisee who has taken out a franchise just because he wanted to run his own business may rebel against the standardisation which the franchiser requires. Once the business is established he may also begin to query the size of the royalty he has to pay for the privilege of staying in that business.

The unique relationship between the franchiser and his franchisees can create problems for the franchiser too. The type of people who take out a franchise may not willingly accept dictates from head office, thus making tight control over the operation difficult. Moreover, as all the companies are aware, one sub-standard branch can lower the reputation of the whole group. Wimpy's image, for example, can hardly have been enhanced by the news stories surrounding one of its franchisees last year.

But on the plus side there is the relatively low capital outlay required of a franchisee or in building a business. Most of the necessary capital is put up by the franchisee who, because he is self-employed, may be motivated to work harder than a company employee. In this way a company may be able to attract the kind of entrepreneurs to its ranks who have local knowledge and who would in normal circumstances prefer not to work for a large organisation.

Staff and rent costs are far lower than if the franchiser owned and staffed his own outlets, while the nature of the franchise contract means that the franchisees are in some measure "tied" to the company.

Franchising can also provide a means of expanding overseas.

The British retail chain Halfords, for example, is experimenting with the idea of trying to get companies abroad to take out a Halfords franchise for a whole area. Other retailers with their own manufacturing capacity are considering using the franchise concept as an alternative to closing down some of their smaller stores.

Not all companies find franchising suits their style of operations. Unigate and General Foods, for example, both briefly diversified into franchised fast foods and then pulled out again. Most of the big franchise companies run their own stores as well as franchising others out, and in the States there has been a tendency for some of the biggest franchise companies to start buying back some of their franchised outlets.

Though the U.S. is now regarded as the Mecca of franchising, the real founding fathers of modern franchising were the British brewers who in the eighteenth century created a system of "tied" agreements with publicans. Similar relationships with petrol stations were then created by the oil companies. But it was not until J. Lyons started franchising Wimpy bars in 1957 that what is called "second generation franchising" really came to Britain. Since then a number of American companies, like the Heublein subsidiary Kentucky Fried Chicken, have come into the British market, while a number of well-established American names like Ziebart have come to Britain as a result of British companies taking out the master franchise for this country.

Not all the American imports have been a success. Orange

Julius, for example, made only a brief appearance in Britain, while the Tandy Corporation is now concentrating on running its own branches rather than franchising them. Meanwhile Wimpy, which started it all in this country, has been sold to United Biscuits.

**Room**

The members of the British Franchise Association say there is still plenty of room in this country for expansion, though, interestingly enough at least one British franchiser is concentrating its fast food expansion in W. Germany rather than Britain. In one sense Britain may offer a better climate for franchising than America where for all the emphasis on innovations and self-reliance the courts in some States have held that franchise contracts are a restraint on trade.

The advice to the British from a recent conference of franchise chiefs in America was to form a proper trade association and so fend off any possible legislative threat to the industry. The newly formed British Franchise Association certainly means to improve the image of franchising in this country, which it feels has been tarnished by the pyramid selling scandals. It is setting up a code of ethics which if followed in spirit as well as by the letter should ensure that this happens.

Franchising, as the Association itself says, is not a miraculous way of getting rich quick. But properly handled it can offer a real opportunity to people who would not otherwise be able to run their own business.

\* A Study of Franchising in Britain.

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GOURMET

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TRUST HOUSES FORTÉ CATERING LIMITED A NEW FORCE IN FRANCHISING WITH OPPORTUNITIES IN BUSINESS FRANCHISE AND MANAGEMENT LICENCE

IN THE U.S. many small business view franchising as the entrepreneur's last defence against the big corporations. With the costs and risks of small businesses accelerating, independent operators have been turning in droves to the relative security of the franchising system.

Franchising now employs some 31m. people and accounts for almost 30 per cent. of all retail sales. The Commerce Department is predicting that in 1977, more than 463,000 outlets will take in more than \$238.8bn.—about 10 per cent. more than last year and more than double the level of early 1970s.

U.S. franchising evolved in the early 1900s when car dealers and soft drinks manufacturers established dealerships across the nation. Petrol station franchises entered the scene in the 1930s. The big boom came in the 1950s with hotels, motels, fast food operations and convenience stores.

The Commerce Department now lists 40 common categories of franchising, divided into two general categories: "traditional," which generally includes vehicle manufacturing, oil companies and soft drinks manufacturers, and the newer type, generally called "business format franchising."

The greatest weakness in franchising's growth potential has been in the traditional categories. Vehicle dealers did well in 1976, with an 18 per cent. sales increase over the previous year, but petrol stations and bottling plants have fallen on hard times. The sharply rising price of petrol has produced a trend towards cheaper self-service stations, and 5,500 outmoded service stations have been closed.

At the end of 1976 almost 225 American companies had foreign outlets. Of the 59 planning to go abroad in 1977, ten were fast-food businesses. One of the bulls of the franchising market is the property

proved successful, it eventually decided to franchise the system, first in Britain and then overseas. In Britain now, however, Wimpy do not grant master franchises which would allow a franchisee to sub-franchise to other people. But it is possible for an individual or a group to own several outlets and if necessary have them run by appointed managers.

This means that the original franchisor no longer has to carry the burden of overheads of a franchise operation in another country but can, for a royalty or outright payment, divest responsibility to another organisation. The franchise in turn has the proven track record of a successful franchising operation in another country but still has to carry the risk of the franchise not being commercially transferable.

In effect, the master franchise system can be likened to a manufacturer-wholesaler relationship whereby a product is sold to an organisation which is then responsible for its distribution. The outstanding example of this type of franchising is in the soft drink industry which is dominated by Coca-Cola, Pepsi-Cola, and Seven-Up.

and cans have produced revenues topped \$25m. in 1976 and are expected to rise 50 per cent. this year. About 5,000 independent property firms have become franchised members of about six new nationwide chains in the past few years and some property men are predicting that within the decade almost all the 340,000 independent property firms in the U.S. will be part of franchising operations.

Most Americans are used to thinking of fast food franchising in terms of billions of hamburgers sold. However, the big gains in yearly sales and units since 1972 have been among franchised seafood and pizza restaurants. With the average American family now eating out two nights a week and menu prices rising at conventional restaurants, demand for lower priced fast food fare in neighbourhood localities has not slackened.

The American appetite for fast foods has been whetted by large national advertising budgets pushing new varieties and promotional gimmicks like "make your own sundae" and "self-serve salad bars." Besides the now traditional hamburgers, French fries and milk shakes, fast food franchisors are offering such delicacies as pizza and beer tacos, roast beef sandwiches and cider, barbecued ribs, fried chicken and steak dinners. Such menus spurred sales to almost \$14bn. in 1976, about 13 per cent. above the year before. Sales are expected to total more than \$16bn. this year.

The near saturation of the American market by fast food operators has led franchisors to turn a hungry eye on overseas markets for new business. Although vehicle rentals are the largest category of U.S. franchises abroad, fast food restaurants have moved to second place with almost 2,500 outlets located mostly in Britain, Japan, Canada and Australia. While many, like the Dutch, were less than thrilled with the arrival of "Big Macs," hamburger and french fries operations have generally been profitable in large European cities.

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from the franchisor. However, the court rejected the reasoning that persuasion or influence may be the virtual equivalent of coercion where there is an unequal relationship between the parties (buyer and seller) as there is here.

Congress has discussed but not dealt with the controversial issue of the franchisor's ability to allocate exclusive territories. It is strongly felt by franchisors that their ability to direct the growth of distribution networks is basic to success, and any attempt by Congress or the courts to interfere with that practice has met widespread opposition.

Legislation now in Congress, designed to protect franchisees from unjustifiable cancellations or refusals to renew franchising agreements, has been backed mostly by petrol station owners. This proposal has also been strongly, and thus far successfully, opposed by franchisors, who insist they need the prerogative to terminate those operators failing to meet company standards.

Action on a major stake in the legislation is not expected this year, and industry representatives are hoping to dilute the measure or have it directed to State Governments. Because shady operators have occasionally been able to

Ownership of several franchises by one owner is another trend likely to continue. Parent companies have been finding it easier and more efficient to deal with franchisees who have won a major stake in the business and that the volume of paperwork and procedures that pass between the franchisor and franchisee is reduced by multi-unit holders.

Nancy Dunn

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How the master franchise works

MASTER FRANCHISING is the sector within the franchising industry most appropriate to big business. Unlike the traditional concept of franchising, which is very much in favour of the small businessman, master franchising is the system under which franchisees are granted to companies responsible for a large area, or even an entire country.

This means that the original franchisor no longer has to carry the burden of overheads of a franchise operation in another country but can, for a royalty or outright payment, divest responsibility to another organisation. The franchise in turn has the proven track record of a successful franchising operation in another country but still has to carry the risk of the franchise not being commercially transferable.

In effect, the master franchise system can be likened to a manufacturer-wholesaler relationship whereby a product is sold to an organisation which is then responsible for its distribution. The outstanding example of this type of franchising is in the soft drink industry which is dominated by Coca-Cola, Pepsi-Cola, and Seven-Up.

The management of J. Lyons refined the franchise several times before agreeing to give it a corner in one of its outlets. When this initial experiment

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Spilingtons

FRANCHISING III

Challenge to Britain's fish and chips

HICKEN, burgers, pizzas, ice-cream—you name it, and the time is rather important, you franchise it all wrapped up in a catchy jingle. The British have been buying take-away food in the form of fish and chips for a long time but it was the culinary might of the North American hamburger that took Britain as a whole as it has yet come to the national American short-order food counter and diner. The first assault in this sector on the British palate has come from McDonald's, which has opened 10 gleaming burger bars on prime sites in London and set for rapid expansion. The company has already invested between £2m. and £3m. in the U.K. but this is expected to increase to £17m. by the end of 1978. Most of this will be spent on property, which is one of the major concerns of McDonald's. So far all the U.K. sites are owned and operated by the company and it is unlikely to begin franchising its burger operators until 1978. Then there will be no rush to proliferate and the area in which new branches are opened will be carefully controlled. McDonald's has been described as a property company which sells hamburgers and

there is an element of truth in that. It is not like the normal franchise operation in that the bulk of its revenue in the U.S. comes from rent, whereas others have concentrated far more on royalties, equipment and food sales. Naturally enough, McDonald's still works along the three-stage base of first finding a selling proposition, then proving it works and then casting in on the franchise fee. But additionally it has sought to concentrate on making money out of property rather than food, taking the view perhaps that while food fads can come and go the value of prime sites remains. Although McDonald's finds the site and completes the structural alterations, the licensee must bear the cost of interior fittings, and cooking equipment, so any failure of the business will cost him dearly too. "We're both in the same boat, so we both better paddle like hell," says Mr. Rhea, her operators until 1978. Then there will be no rush to proliferate and the area in which new branches are opened will be carefully controlled. McDonald's has been described as a property company which sells hamburgers and

the marketing men. For after the firing start of 1976 the rains took their revenge in 1977 and some of the franchisors who thought they were into a fast killing started getting cold feet. Some of the branches have closed down but the core of shops operated by Dayville's themselves are still going and report good business. To back them up is what the company describes as one of the most modern ice-cream factories in Europe. The product it makes is sold at a premium price and though it differs in recipe it is thought that it is not very different in production costs than the home-grown varieties. After a poor summer this year and an already sharper winter than for some time it will be interesting to see how brave the converts are, and therefore whether Dayville's can sustain the increased production facilities. But if nothing else the translation of yet another American Stuart Alexander

IF YOU NEED HELP to establish or expand a franchise network to develop a total marketing policy to set up franchise control and contract systems RAYE ELLIOTT ASSOCIATES 185 Gt Tattenhams, Tattenham Corner, Epsom Downs, Surrey. Telephone 07373 59419

Domestic services a growing outlet

OF THE chief growth areas in franchising in Britain is to years several franchise operations in the domestic services sector. Although this sector started from a much smaller base than fast foods, there have been several new ventures in the drain cleaning and carpet cleaning fields. It can be argued that the area has only recently started to develop in earnest. At least three ventures similar to Servitemaster have been set up. They include Thuro-Steam, which is an up-market operation and the specialist in cleaning domestic carpets and drapes; Safe Clean International; and Vinyl Master, which is about a year old and one of the cheapest franchises available in the country. It already has about 20 franchisees and no interest in raising the relationship beyond supplying the starting machinery to the franchisees. Likewise, pyramid selling has become in common with the one direct relationship of franchisee and franchisor. One of the earliest franchise operations in the domestic services field was Servitemaster and Dyno-Rod, which specialises in carpet, floor, furniture and wall cleaning in offices, shops and hotels. Dyno-Rod offers a 24-hour service for all forms of draining and pipe clearances to industry, commerce and households, sold its first franchise in 1971. Not surprisingly the success of both companies has encouraged imitators in their

and Michael Woodmansey published by the Polytechnic of Central London School of Management Studies earlier this year. Servitemaster is a wholly owned subsidiary of the U.S. corporation, Servitemaster Industries Inc. Turnover in 1975 topped £1m. in the U.K., with four-fifths attributable to franchised outlets and the rest to company-owned outlets. A franchisee is required to invest a total of £3,500 which is divided equally between the licence fee and the actual franchise package of training and equipment. Franchisees then pay a royalty of 10 per cent. on total annual sales and contribute a further 5 per cent. of the previous year's turnover to a national advertising fund. Contracts span a minimum of one year and a maximum of five, with five-year renewals available without fee. Dyno-Rod's arrangements are more variable, with the required investment from a franchisee ranging from £4,000 to £30,000 depending on such factors as volume of existing business and future potential. Total turnover is currently running at £2m. a year, about 90 per cent. of which is attributable to franchised outlets. The minimum length of franchise contract is six years with a maximum of 15 years, renewable without fee. The typical contract term is currently for 10 years. A 25 per cent. royalty is charged on turnover. David Freud

Motor trade parallels

FOR FOOD retailing, the motor trade has perhaps been the area most amenable to the actions of the franchisor. In the car hire industry, as in any franchise operation in Britain will tell you, do these things much better. While Britain may have inherited the system through the public house, it is in America that it has reached its peak, leaving the British industry in its customary emula position. The Americans franchise most to do with motor cars—rental stations and dealerships, but also exhausts, crash repairs, automatic boxes, wipers, windcreens, oil changes. In the U.K. the third largest franchise is, other than petrol stations and dealerships—relatively restricted. There are five groups of operators in the motor trade which are currently being franchised: rustproofing, car-hire, sales, exhaust-fitting and rustproofing the best-known one, and in many ways one of the most successful franchises. Ziebart, an American process which has made a successful

move into this country. There are now more than 100 "Ziebart" centres in the U.K. The cost of acquiring the franchise is minimal—between £500 and £1,000. But the Ziebart people reckon it will cost around £8,000 to equip a workshop, whether it be an obsolete lubrication bay or an arch beneath a railway. Ziebart makes its money largely by being the monopoly supplier of the chemicals used in the rustproofing process. Ziebart has competitors, notably Endrust and Total Protection, both of which offer the same basic service at roughly competitive prices. In car-hire, Budget Rent-a-Car is the only pure franchising operation. It is the third largest (after Hertz and Avis) and claims it is the fastest growing of any of the major car-hire—a fact it attributes to the success of franchising. Budget deals with all central advertising and provides its licensees with an insurance policy, staff training courses and advice on fleet sizes. It monitors standards, efficiency and profitability via a network of district managers, who visit the franchisees offices regularly. A relatively new arrival in

Test bed

Of its 260 outlets in Britain KFC itself operates about 45 and uses them as a test bed for new ideas and proof of profitability. One of its main messages recently has been that investment of £500 in spare rib cooking equipment should cover itself in 35 weeks. The company vets all new premises and insists on both menu control and some control of ingredient suppliers. But the premises are the responsibility of franchise holders, who pay a royalty for the privilege. Incidentally, Col. Sanders sold out some time ago—in 1964 in fact. It is now owned world-wide by Heublein International. Britain first really got to grips with franchised fast food with the Wimpy Bar, which has enjoyed mixed fortunes and images but is still selling a lot of meals to a lot of customers. It was the province of J. Lyons which was most concerned with selling the food. At one time it was contributing about £2m. to profits and was one of the fastest moving of the Lyons arms. In some areas it grew too fast and some operators were in danger of damaging the image of the whole chain. Then Lyons decided to sell its Wimpy operation to United Biscuits (UB) in a £7m. deal to help alleviate cash problems brought about by heavy overseas borrowing made very expensive by the fall in the value of the pound. With the Wimpy deal went the contract for supplying the Golden Egg and Bake 'n' Take chains. It slotted neatly into the UB framework. Since that group's D.S. Crawford subsidiary already held a number of Wimpy franchisees, though for Lyons the parting was a sad one after 20 years. UB also saw the possibility of considerable development of the Wimpy franchise both in Britain and Europe and Wimpy remains the one big fast food franchise operation in the U.K. Coincidentally with one of the best summers of recent years, Londoners in particular were being seriously wooed to try any one of the 33 flavours of American-style ice cream by Dayville's and it seemed that Britain was set for another taste craze. But although the ice cream was very good the sale of it now seems to have been more in the hands of the weather gods than

Does a new business have to be a calculated risk? A new business can be a risky thing. And starting a new business today there's not a lot you can afford to leave to chance. Things like finding the right premises, reliable suppliers, proper equipment and dependable staff can be enough to give anyone sleepless nights. At Wimpy International we have one of the largest catering organisations in the world. If you are thinking of setting up on your own, a Wimpy International franchise gives you not only an excellent return on capital, but also the assurance of a system proven over 20 years, experience through 1,500 restaurants, in 38 different countries. As a Wimpy International franchisee running your own Wimpy Bar or Golden Egg restaurant, you have a world-famous trademark, backed by a complete corporate identity. We help you choose a site for conversion and our draughtsmen and designers provide a full set of technical drawings and interior decor schemes. We can arrange to supply all your catering needs, and will train your staff on site in all aspects of food preparation and presentation, hygiene, stock-rotation and cost control. When your business is set up, you benefit from the support of continuing national advertising campaigns on television and posters and in cinemas, which are backed by a wide range of linked point-of-sale and display material. Find out more about an investment in Wimpy Bars or Golden Egg restaurants. With Wimpy International you will be joining the leading franchise in the country. We have over 20 years' experience in the fast food market in the U.K. and throughout the world. Write to: Mike Chambers, Manager, Franchise Negotiation, Wimpy International Limited, 214 Chiswick High Road, London W4. Tel. 01-994 6454. We'll help you base your business on something more than faith alone.

The Dyno-Rod formula for successful franchising. The more obstacles the better. DYNOROD Britain's Blockage Fighters. Head Office: 143 Maple Road, Surbiton, Surrey, KT6 4BL. Telephone: 01-549 9711. John Lloyd

AUTOMATION

Argus eye on Tube power supplies

DISTRIBUTION of power supplies on the London underground is to be supervised or controlled, for the first time, by a continuously operating automated array based on two Argus computers from Ferranti.

Central Line

The initial site is on the Central Line, with outstations at the traction supply substations at Wood Lane, Notting Hill Gate, Bond Street, Holborn and Liverpool Street with monitor and control communicators to the power plant there.

TELEVISION

Tiny unit for studios

A DEVELOPMENT of the company's Microvision two-inch television set — a miniature video monitor for use in television studios and similar environments — has been announced by Sinclair Radionics.

PACKAGING

Takes out the lumps

REMOVAL of unwanted solids from crude chemical liquids, and from waste slurries from factory and farm operations, can be achieved with a vibrating screen separator from Triton Engineering.

ELECTRONICS

Circuits for all seasons

LIKELY trends in consumer electronic integrated circuits and the company's plans to meet market needs have been revealed by Mullard.

IN BRIEF

General Instrument Micro-electronics has announced price reductions of up to 60 per cent. on certain of its electrically alterable read-only memories.

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INSTRUMENTS

Sees leaks quickly

RAPID precision leak testing of seal valves and similar components can be carried out using a monitor developed by English Research and Applications of Dunstable, Beds.

RETAILING

PoS at Lillywhite's

FIRST ORDER for the Plessey/Decap point-of-sale system has been placed by Lillywhite's. The equipment is for units at the store in Piccadilly Circus and other retail outlets, permitting stock-control data to be captured at the till.

WELDING

Shield takes the fumes

FOR THE welder, a combined handshield and extraction nozzle has been introduced by Stubbs Bristol Composite Materials Engineering (BCME).

TRANSPORT

Composite drive shaft

RESULTS FROM the extensive laboratory and application testing of several hundred reinforced resin drive shafts made by Bristol Composite Materials Engineering (BCME) have been so successful that a joint company has been set up with GKN.

COMPONENTS

Low inertia servomotors

AIMED at applications such as machine tool feed drives, positioning systems, transfer packaging machines, a set of four permanent magnet servomotors offered by AGR Servotronics of Congleton will give continuous output torques from one to six newton-metres.



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SOFTWARE

Cobol for a micro

SUITABLE for the transfer of Cobol commercial language facilities to many machines based on the Intel 8080 microprocessor is a version of the Cis Cobol compiler launched earlier this year by Micro Focus that is about to be released.

Plough-back cuts profits

ALTHOUGH a close company, CAP-CPP group continues to rank as one of the U.K.'s leading computer services firms (with a minority interest recently taken by both the National Enterprise Board and Charterhouse Development Capital) and so must be something of a barometer for this area of the computer industry.

electrical wire & cable? ANXI

Thousands of types and sizes in stock for immediate delivery. No minimum order. No minimum length. London 01-561 818. Aberdeen (0224) 323551/2.

Advertisement for RNIB (Royal National Institute for the Blind). It features a photograph of a man and the text: 'He's trained. He's good. He's blind.' Below this, it describes the training provided for the blind and provides contact information for the RNIB at 224 Great Portland Street, London W1N 6AA.

Spiffing



# The Management Page

EDITED BY CHRISTOPHER LORENZ

Nicholas Leslie describes how one company introduced a detailed marketing and forecasting procedure designed to cope with the peaks and troughs of a sharply fluctuating business

## Quiet revolution on the carpet front



Arthur Whitehead, chief executive of Carpets International, seen at his Kidderminster factory.

WHILE public attention has darker shadow over the industry and swelled the pile of birth and other carpet manufacturers, one of the industry's leading companies has been quietly revolutionising its budgeting and monitoring systems—in an attempt to forecast peaks and troughs of this highly fluctuating business more accurately than in the past.

The changes made at Carpets International in the last year have required a complete transformation of its approach to financial, production and marketing planning.

The dilemma which spurred Carpets International into action is one that must be familiar throughout the industry: how best to cope with erratic market conditions—particularly at a time of rapid inflation—make a nonsense of traditional budgeting, simply because the assumptions of costings employed become outdated as soon as the ink has dried on the budget document.

In taking this particular course of action Carpets International may not have found the trade cure for all its problems. But it feels that it should be able to do better than at react to largely unexpected changes in the business climate. Instead, it should be able to foresee likely variations and to make the necessary adjustments to its level of activity.

It is clearly too early to judge how significant the changes will be for the entire group. A phased introduction of the scheme began only towards the end of 1976 and by now the company was already using costings which paid far less attention to the effects of inflation. Budgets were drawn up in considerable detail. But, as the trading year proceeded, Arthur Whitehead, the group's chief executive, and his staff found that the formula which proved to be adaptable to the new system. But, elsewhere, almost all of the budgeting techniques proved to be inadequate for the demands of present-day conditions.

Their significant weakness was their inflexibility. Prepared each August and September for the following year and using costings which paid far less attention to the effects of inflation, budgets were drawn up in considerable detail. But, as the trading year proceeded, Arthur Whitehead, the group's chief executive, and his staff found that the formula which proved to be adaptable to the new system. But, elsewhere, almost all of the budgeting techniques proved to be inadequate for the demands of present-day conditions.

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lost if there is no understanding throughout the company of what and how steps should be taken when things are not running according to plan.

The one exception in this lack of flexibility appears to have been the Romatex Holdings subsidiary in South Africa, whose relatively advanced practices highlighted the deficiencies of budgeting systems elsewhere in the group. There, for the last few years profit forecasts have been revised each month. Assessments were then made of how each month's figures compared with the forecast and also with the original annual budget. Any appropriate action would then be taken and forecasts would be revised.

These procedures, probably recorded on a standard form set out our thoughts," says Mr. Whitehead.

These thoughts crystallised into recognition of the "need for a system that would constantly up-date a group plan and that would concentrate efforts on what was going to happen rather than on analysing the historical effects of something against budget," says Mr. Whitehead.

The company turned to its auditors, Binder Hamlyn, for advice and they, in turn, put the problem into the hands of their management consultancy subsidiary, Binder Hamlyn Fry.

The upshot of this was the development of a detailed monitoring and forecasting procedure designed to embrace all key

aspects of the business. It is based on a standard formula developed by BHF, but it incorporates adaptations worked out with Carpets International to meet its particular needs.

The system requires constant collection of financial and non-financial information. Details of sales, marketing, purchasing, production and administration and research and development are collected. Levels of stocks, wages, expenses, debtors and creditors and capital expenditure are ascertained as are non-financial statistics like manning levels.

This is not an intermittent exercise, but a constant process: all the information from each department is regularly recorded on a standard form laid out to include figures for the planned, month-by-month progress over a 12-month period, against which are included the actual levels of activity and costs as each month goes by.

In parallel with this information, predictions of future levels of trade and costs are made by each department and this enables a constantly-updated business plan to be kept. This means that, while a 12-month horizon may be maintained, it is continually shifting forwards and an annual budget for each department therefore becomes unnecessary.

Clear areas of responsibility must be laid down, and in Carpets International's case this rests with six key directors who

report direct to the managing director. Obvious though their division of responsibility may seem, such a clear definition is sadly lacking in many companies. The marketing director keeps an eye on marketing information and costs, on the volume, value and costs of sales, and on the levels of unfinished stocks. Raw material costs are the responsibility of the purchasing director, while production volume and costs are the province of the production director. The technical director monitors research and development costs and personnel costs and manning levels are the responsibility of the personnel director.

The system makes greater demands than does traditional budgeting on executives and other employees because a much wider range of information is required and at more frequent intervals. And because so much is non-financial data a key feature of the system is that the forecasting operation is carried out largely by non-financial executives.

Not only are they collating information, but they must also become adept at interpreting it. Each department enters comments and interpretations on the forms alongside statistical data and must then relate them to those of other departments. This should be of benefit, for example, when given a certain level of forward sales, assessments are made of what raw material stocks will be needed for a given rate of production and what manning levels will be necessary. Equally, the system should enable adjustments to be made as time goes by if either a different mix of product looks like being necessary or if a downturn in demand occurs.

It therefore goes without saying that cross-fertilisation of knowledge and information about such things as raw material prices, marketing conditions, money costs and other sectors between different sections and departments of the company is essential if the system is to work properly.

To date, Carpets International has introduced the

system into six of its U.K. subsidiaries, linked to an IBM computer with its Northern companies and an ICL computer at its Kidderminster base. Pointing to the type of change that has resulted, Arthur Whitehead says that much more attention is now paid to purchasing than before: a purchasing director has been appointed for the Northern companies. Raw materials prices are kept under constant review and, as an adjunct to the system, current cost accounting is being introduced to meet the need for valuing current stocks.

Mr. Whitehead is reluctant to give a practical example of any significant effect that introducing the system has made. However, he does quote one unidentified case where, in one of the company's first efforts at prediction under the new system, a change in one of its markets was spotted in time for production to be rearranged rather than cut back. "It probably gave us two or three months prior action," he says. But this is one of the more extreme cases. Elsewhere, he says, "things have happened more gently."

The cost of installing the system has not been disclosed, but it is nonetheless considered to have been well worthwhile. As for the number of personnel required, no extra people have been taken on. "In fact, we hope to be able to reduce some of the reporting and standard costing activities," says Mr. Whitehead.

### Neatest

Until the recent changes, budgeting systems operated in each company, but not all on the same lines. In the U.K., Kosset "probably had the neatest budgeting system," says Arthur Whitehead, the group's chief executive, and it incorporated a prediction formula which proved to be adaptable to the new system. But, elsewhere, almost all of the budgeting techniques proved to be inadequate for the demands of present-day conditions.

Their significant weakness was their inflexibility. Prepared each August and September for the following year and using costings which paid far less attention to the effects of inflation, budgets were drawn up in considerable detail. But, as the trading year proceeded, Arthur Whitehead, the group's chief executive, and his staff found that the formula which proved to be adaptable to the new system. But, elsewhere, almost all of the budgeting techniques proved to be inadequate for the demands of present-day conditions.

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## Pushing the gifted in at the sharp end

A PLEA for schools and universities to give students an understanding of technology instead of concentrating on largely useless academic knowledge is made by Dr. Patrick Nuttgens, director of Leeds polytechnic, in a paper commissioned by the Society of Industrial Artists and Designers.

Dr. Nuttgens claims that the U.K.'s existing education system neither reflects nor serves contemporary society. And he attacks the Prime Minister's current "great debate" on education for its "conventionalism, its lack of ideas and its profound complacency." He says that what is needed in schools and higher education institutions is a fresh approach, based not on conventional, abstract learning but on an "understanding of things."

Dr. Nuttgens, who was invited to write his paper after winning this year's Burton Award, which is run by the Society of Industrial Artists and Designers and funded by the Burton group, insists that "tinkering" with the education system is not enough. He says what is required is a complete change of emphasis—although he does not spell out how this is to be achieved.

"The irony is that we have developed over the last century an educational system that rewards and elevates precisely those people who can least contribute to society," he says. "Imprisoned in their disciplines, narrowed into their specialisms, we train them with the utmost rigour to be unable to cope with the real, immediate world."

"What we need is a change of heart in which we rediscover the wonder of the world and of the ordinary, the magic of the

everyday. This is not a call for the prosaic. It needs a certain idealism. Skills must be recognised as something as estimable as book learning and much more exciting."

Dr. Nuttgens calls for an investigation into the actual process of designing things — of "thinking out and making" them. He says an investigation of this type could provide the key to educational progress because it might help to pinpoint the fundamental skills and abilities which people needed to learn.

The paper is scathing about academia and the effects that the universities have had on the rest of the education system, particularly on school exams.

"Withdrawal from everyday affairs is a constant temptation of the academic world, usually in the universities, and today probably in the polytechnics; everyday realities are so much less simple than the contemplation of eternal truths."

"In 1917 the government decreed that the universities would be responsible for conducting school leaving examinations... It followed from that simple decision that the ethos of the university should become fundamental to the whole of education and training."

"And what did the universities deal in? Not training for a job, not developing skills in designing and making, not encouraging action; they dealt in learning, grouped into subjects and disciplines and neatly compartmented according to the subject rather than the needs of people or society."

The academic faculty was in business, sufficient unto itself; research, including literary research about matters so uninteresting that no one was likely to want to do it again, became

the aim of the learned and conventional wisdom still teaching a poor second — not indeed what the professors studies while the less gifted will turn their attention to the careers and the world of work — "presumably earning enough to keep the gifted in study." He adds that there is still no "hint and out weighing that it might be good for the library floor, gifted to enter work at becoming sooner or later itself sharp end and not even a suspicion that there might be something to be said for learning to make things."

Dr. Nuttgens says that to-day

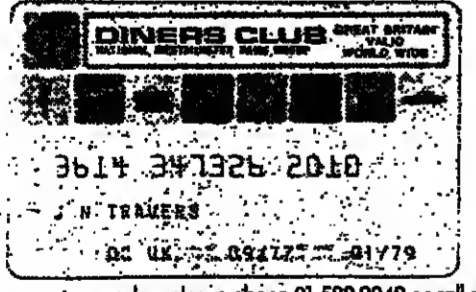
Yet although Dr. Nuttgens is from the present curriculum—so acerbic in his assessment of the present education system. The paper, which was discussed at an SLAD seminar yesterday waxes lyrical about the need to teach young people how to invent, to wonder, to discover the fascination of nature and things and the fantastic possibilities in doing and making." But even as a basis for debate, it all sounds decidedly academic.

what will have to be dropped

Sue Cameron



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FINANCIAL TIMES

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Tuesday December 6 1977

Criteria for public pay

THE PROPOSAL by Mr. David Bassett, of the General and Municipal Workers' Union, that the TUC should form a committee to co-ordinate pay objectives in the public services is a realistic one.

The result over the years has been painful both for the politicians and for the trade unions. Public sector employees, whose employer cannot in general go bankrupt, are generally driven to aim their action at the maximum inconvenience for the public.

Severe difficulties

There are some severe difficulties about forming a general strategy too. The public sector contains a lot of very different groups. For workers in pure publicly financed services—administration, education and medicine, for example—some principle of comparability and recognition of skill and training is probably the appropriate basis for discussion.

Better outlook for prices

THE LATEST indices of wholesale prices must be highly satisfying to the Government. They offer further evidence of a decline in the rate of inflation at a time when Ministers are having to pull out every stop to encourage observance of their pay policy guidelines.

The most encouraging of yesterday's figures was the 1 per cent fall in November in the average prices of materials and fuel purchased by manufacturing industry. It is true that the higher average value of sterling last month accounted for virtually the whole of this decline.

Assumption

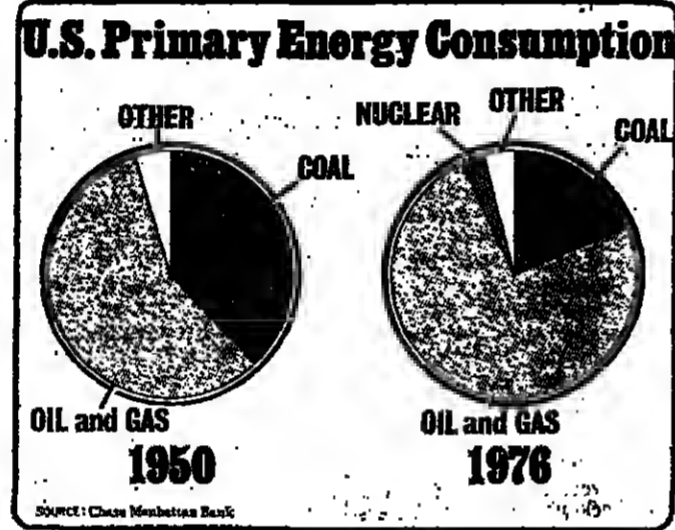
The decline in the cost of materials and fuel used in manufacturing industry is a reflection of the decline in world commodity prices, coupled in recent months with the rise in the effective exchange rate of sterling. In turn it is having its effect on the output prices manufacturers charge.

Retail prices come at the end of the chain, but the impact of falling input prices and wage restraint during Phase Two of the Government's pay policy is clearly visible here, too.

JOHN L. LEWIS, the legendary leader of the United Mine Workers of America defied President Harry Truman in 1946 by calling a strike and the New York Times forecast on its front page that 25m. workers could be laid off as a result.

Although it is hard to believe looking at living conditions in down trodden areas of Appalachia such as this, coal miners here are among the best paid industrial workers in the country. On strike they will lose income of up to \$1,600 a month; the union has no strike fund.

Unlike the miners, the U.S. economy and the coal mining companies who are members of the industry's negotiating organisation, the Bituminous Coal Operators' Association, are well placed to weather a strike.



This year the industry has lost 10 per cent of available days through unofficial strikes, and a further 7 per cent through absenteeism. The record over the past two years profits and investment. Some companies privately admit that they are redirecting their investment to western coal fields in order to hedge their bets.

MEN AND MATTERS

Backwoodsmen and others

This afternoon in the Lords, the long campaign to save England's oysters comes to a climax. The 77-year-old Lord Cranbrook will introduce a motion that has stirred the interest of conservationists, if he fails to marshal enough 'backwoodsmen' to his side, it will be an offence from January 1 to kill, injure or capture an oyster anywhere in England or Wales.

Shrewd buyer

A glance at Who's Who makes it clear that many of those appearing obtained a great deal of quiet amusement from filling in the section on recreations. But now and then an unexpected turn of fate makes them rue their jocularity.

Euro-Heffer

Eric Heffer, Tribune and leading advocate within the generally refractory Labour Party of a more open-minded approach to Euro-communism, looked thoroughly put out on arriving at the Foreign Press Club yesterday.

is not much better. At the same time, during the past seven years, productivity in the U.S. deep mines has slumped from 15.6 tons per man day in 1969 to nearer nine tons per man day. Although other factors, such as a build up in the Labour force accompanying expansion of output will have played a part in this trend, so will problems with labour relations.

The U.S. Government can scarcely look at the chaos in sections of the eastern coal fields with equanimity. President Carter's energy policy calls for an increase of coal production from 665m. tons last year to over 1.1bn. tons in 1985.

At the beginning of October in the wake of a ten-week long unofficial strike in the course of which violence was exchanged between strikers and men trying to get back to work at Cabin Creek 20 miles from here, the union and the employers tried to hammer out a new contract.

While management also wanted a reform of the grievance system, which some say has caused as many disputes as it has solved, the concept of a local right to strike—of making

Coal chaos: hazard for U.S. energy policy

By STEWART FLEMING in Montcoal, W. Virginia



Past and present presidents of the UMW: John L. Lewis (left), who ruled with a rod of iron; and Arnold Miller, who faces a changed world.

local unofficial strikes official as management saw it—was anathema to the company negotiators. They initially proposed a system of financial penalties (also described as incentives) for miners who went on strike "illegally."

Moreover the trend in the U.S. since the second World War has been towards contracts which provide for settling local disputes through binding arbitration in the cases of most of the big industrial unions. It is a trend which has served industry well.

Finally, in searching for explanations of the upheaval in the BCOA coal fields during the past three years it is fruitless to look only at the terms of the overall contract between UMW and BCOA. In the 1950s and 1960s when John L. Lewis and his successors ran the UMW as a dictatorship, it was the union, not management, which kept order at the pits.

There are suggestions, too, that a revolutionary Communist group has infiltrated the mine of West Virginia and is exploring the divisions in the union. Mine leaders in the area question the influence of such a group. But even in local union circles there are radical groups, some calling for the nationalisation of the energy industry.

Thousands of these men grew up during the social upheaval of the 1960s or in the Vietnam War. Many of their leaders are well educated and some come from old mining families whose fathers remember the day when mine operators fought bloody battles against miners trying to form a union.

Small change

The Bonn Government is exerting pressure on German banks to stop financing terrorists. It believes that in the first ten months of this year, terrorists obtained more than DM5m. (£1.2m.) in the course of 40 bank robberies.

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You could make a small fortune in Aycliffe. Into a big fortune...

Observer

Spiffing

SOCIETY TO-DAY

BY JOE ROGALY

The desperate plight of the homeless

AS BRITAIN moves towards a growing crude surplus of housing there is a danger that our politicians will forget the dwindling minority that is left behind...

At the local level this means working out a separate budgeting policy for each area, taking particular care to provide for those in need...

"Some hope" is the phrase used above, and it could be reiterated in its cynical form. For the track record of local authorities in this and other areas is not comforting...



A scene from the famous BBC film 'Come Home'—the number of homeless has more than doubled since it was made.

I find it hard to agree—but they are insignificant when compared with the general thrust of what he has to say. He starts with a definition of homelessness...

Some families, or "don't you be understood, sites must be assembled while building plans are made."

Solution

The proffered solution seems too simple to be true: put the homeless in the empty houses. An obvious objection is that they would then stay put...

Yet this welcome acceptance of the facts is not by itself enough. For while the British people have become better housed than at any time in their history...

Some hope

Never mind: there is some hope that next year's crop of local housing plans (or Housing Investment Programmes as they call them) will be more realistic...

do so partly because they fear record of local authority inefficiency in housing. I do not make this assertion without some evidence. It is given them little control over their own policies...

Preserving Exmoor

From Mr. H. Gibbs Sir—John Cherrington reports "Limits on Exmoor farm changes urged" (November 30).

Is this an oversight?

From Mr. D. Brooks Sir—Is it an oversight by the Treasury that companies in the middle band of corporation tax, pay a higher rate than those with more income?

Employees and pensions

From Sir Donald Sorrent Chairman, Society of Pensions Consultants. Sir—I should like to reinforce the admirable advice given in Eric Short's article of November 30 about the vexed question...

Letters to the Editor

Employee participation can bring positive benefits in improved industrial relations and to employee recognition of the value of the pension scheme. More-over, as Mr. Short points out...

Exchange control

From Mr. D. Brodley Sir—Having just had a frate Ghanaian visitor on my back concerning an amount of £33 which he insisted be paid to me...

Implications of Mondragon

From Mr. J. Argent Sir—I found John Elliott's account of the Mondragon experience (December 2) most interesting because it seems to confirm my impression I had gained from brief discussions with some of the Caja executives...

Bookings from Blackfriars

From Mr. N. Sprinks Sir—May I correct "Observer" writing in "Men and Matters" on December 1? Controversial boat trains did indeed leave from the station now known as Blackfriars...

Support for roads

From the Head of Communication Services, National Freight Corporation. Sir—Your Men and Matters item "Who Cares?" (December 1) is quite wrong in suggesting that the National Freight Corporation is another State owned body...

Managers and their choice of unions

From the General Secretary, Shipbuilding and Allied Industries Management Association. Sir—I read with interest your November 24 leader on Managers and Unions, and Mr. Ken Gill's comments in his letter published on November 30...

Proliferating recognition

From the Secretary to the Council, British Aircraft Corporation Senior Staff Association. Sir—What Mr. Ken Gill conveniently forgets to mention in his letter (November 30)...

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Managers and their choice of unions

which commands majority membership, no fragmentation of bargaining results and, in so far as no collective bargaining arrangements would be broken...

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Managers and their choice of unions

a suitable union to represent them. Our members overwhelmingly wanted a non-political union and when the study found that no suitable union existed there was no option within the forecasted scenario...

Proliferating recognition

From the Secretary to the Council, British Aircraft Corporation Senior Staff Association. Sir—What Mr. Ken Gill conveniently forgets to mention in his letter (November 30)...

To-day's Events

Mr. Denis Hasley, Chancellor of the Exchequer, addresses special meeting of Parliamentary Labour Party on future pay policy. Public sector borrowing equipment and details of local authority borrowing (third quarter) published.

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To-day's Events

Workers' Union, gives Richard Ombuley Lecture on "The Human Face of Labour" at Library of Clothworkers' Company, E.C.3. Mr. Anthony Wedgwood Benn, Energy Secretary, speaks at London Chamber of Commerce lunch, Savoy Hotel, W.C.2.

Managers and their choice of unions

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NOTICE OF REDEMPTION OF BONDS

Grand Metropolitan, Limited Formerly Grand Metropolitan Hotels Limited. Redemption of US \$15,000,000 9 1/2% Bonds 1986. According to art. 4 of Paying Agency Agreement...

Handwritten text at the bottom of the page, possibly a signature or initials.





MINING NEWS

Rustenburg still treads a rocky road

BY KENNETH MARSTON, MINING EDITOR

DESPITE THE decision last week to raise its selling price of platinum from \$102 to \$175 per ounce, the world's largest producer of the precious metal, South Africa's Rustenburg Platinum Mines, reckons that any improvement in its low level of profits 'must depend on a much higher platinum price and better prices for the company's other metals, particularly nickel.'

Bamfords advance to £0.95m

AFTER INCREASING £126,000 to £138,000 at halfway record pre-tax profits are of £350,000 against £263,440 last year.

The financial year is to be extended to December 31, 1977, and a second interim of 0.88p net per 20p share has been declared.

As the final calendar quarter is normally one of low volume the 15-month result is not expected to be materially different to the 12-month record.

To-day's company meetings

Acorn Securities, Regis House, King William Street, E.C.2, 2.30. City and International Trust, 8, Waterloo Place, S.W., 12.15. EML, Tower Hotel, E., 11.30. Goodwin (Engineers), Brassington, Derbyshire, 2.30. Pressac, Long Eaton, Nottingham, 3.

HAWTIN

Hawtin confirms that three years arrears of dividend to June 1977 on the 4.55 per cent cumulative Preference shares will be paid on January 3, 1978, to members on the register at December 12. Members will receive arrears of 13.65p per share and six months dividends to December 31, 1977, of 2.275p per share.

'Lofs' in £3.6m. turnround to £1.2m. loss

Dawson International Limited

INTERIM REPORT for the half year to 30th September, 1977. An interim dividend for the year 1977/78 of 1.7395p per share (1976/77-1.25p) equivalent to 10.54% (1976/77-8.31%) inclusive of tax credit was declared...

Table with columns: Unaudited First Six Months 1977/78, Audited Year 1976/77, and columns for SALES, Trading Profit, Interest, Group Profit, etc.

Chairman's Statement. Demand for all the Group's products has been maintained at a high level throughout the first six months of the current year.

This high level of demand and close control over levels of expenditure has enabled profits to move substantially ahead of those for the same period last year.

I referred in my annual statement of July to our inability to reward Shareholders with more than the minimal amount permitted.

With order books full to the end of the fiscal year, profits for the second half should exceed those of the first half.

ALAN SMITH Chairman Kinross, 8th December, 1977. Includes logos for Pringle, Braemar, Guenmac, Ballantine, and J & M. GEORGE.

A TURNROUND of £3.6m. to £1.2m. loss is reported by London and Overseas Freighters for the period ended 30 September 1977.

The loss on trading of the group for the period jumped from £3.6m. to £1.2m. and the surplus on the sale of a vessel fell from £2.95m. last year to £1.29m.

The group's two 138,680 dwt tankers 'London Enterprise' and 'London Glory' and the 50 per cent owned tanker 'Overseas Argonaut' traded throughout the half year but earnings were insufficient to cover operating expenses.

The dividend from the nationalised shipbuilding subsidiary Austin and Pickersill at £259,000 (£752,000 in the amount authorised by British Shipbuilders for the three months to June 30).

The decision by the directors last year to expand considerably the trading stock of group companies in the London Shipbuilding Company for cash at par value of £100,100.

The recent strengthening of the pound will be helpful to the company's imports. Last year imported machine tools accounted for some 60 per cent of new machine tools sold by the group.

The decision by the directors last year to expand considerably the trading stock of group companies in the London Shipbuilding Company for cash at par value of £100,100.

Trading loss 1,934,000, Surplus on disposal 1,298,000, Dividend receivable 325,000, Interest receivable 49,000, Current tax 1,026,000, Less: 1,298,000, 411,000, 387,000, 423,000.

comment. Losses are building up at London and Overseas Freighters now that the profitable shipbuilding arm of the group is in a state of liquidation.

Six month advance by W. E. Norton

A LEAP in taxable profit from £163,000 to £255,000 is shown by W. E. Norton (Holdings) for the half year to September 30, 1977.

Mr. W. E. Norton, the chairman, says he anticipates a substantial growth in earnings for the full year. Pre-tax profits for 1976-77 were a record £450,956.

The decision by the directors last year to expand considerably the trading stock of group companies in the London Shipbuilding Company for cash at par value of £100,100.

The decision by the directors last year to expand considerably the trading stock of group companies in the London Shipbuilding Company for cash at par value of £100,100.

The List of Applications will open at 10 a.m. on Thursday, 8th December, 1977 and will close at any time thereafter on the same day.

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

ISSUE OF £12,500,000 The Royal Borough of Kensington and Chelsea Variable Rate Redeemable Stock, 1982

Authorized by the Council of The Royal Borough of Kensington and Chelsea and issued in accordance with the provisions of the Local Government Act 1972.

PRICE OF ISSUE £100 PER CENT.

Interest (less income tax) will be payable half yearly on 9th June and 9th December. A first payment of £3,064 (less income tax) per £100 Stock will be made on 9th June, 1978.

The Stock is not an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961.

National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD. THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA Variable Rate Redeemable Stock, 1982 Issue of £12,500,000 Stock at £100 per cent.

PATERSON ZOCHONIS 'Very satisfactory progress' Growing spread of interests, both industrial and geographical, highlights the strength of the Group. Earnings: Earnings per share increased for the ninth successive year, making a twenty fold increase over ten years.

BIDS AND DEALS

McLeod Russell values Malayalam at £6 1/4 m.

BY JAMES BARTHOLOMEW

The bid by McLeod Russell yesterday puts a price of 20 1/2 pence on Malayalam shares, making it the biggest outstanding offer in the tea sector.

Higher bid from Thomson for Wadsworth

Thomson Equitable Corporation of Toronto, which owns a controlling interest in the Thomson Organisation in the U.K., publisher of the book publishing group, has won the battle to buy Wadsworth Publishing.

Unicorn in talks with Atlas Copco

Unicorn Industries, the abrasives and grinding wheel manufacturers, and Atlas Copco of Sweden are having discussions with a view to Unicorn acquiring Atlas Copco.

Objections to Vavasseur proposals

Objections were made to the reorganisation proposals for J.H. Vavasseur Group at meetings of shareholders held yesterday. A proposal to adjourn the meetings was carried on a show of hands.

PITNEY BOWES SELLS LOSS-MAKER

Pitney Bowes has agreed with Pitney Bowes Marketing Systems of the U.S. for the sale to it of the price marketing, bookbinding and labels manufacturing and marketing business carried on at Harlow, Essex.

TESCO TO EXPAND OVERSEAS

The Tesco supermarket chain yesterday reaffirmed its commitment to expanding overseas. Mr. Leslie Porter, the company's chairman, said that the right opportunity would be prepared to spend between £20m and £25m on buying and establishing retail groups within the EEC.

HESTAIR

Hestair has formed a new operating and holding company for its agricultural engineering interests. The company will be known as Hestair Farm Equipment.

NEW COMPANY FOR BARLOWS

Barlows announces the formation of Barlows and Loyds to carry on the textile-making and textile-packing operations of Barlows and Loyds Packing Warehouses.

KINGSMOOR HOTELS

Kingsmoor Hotels, the Berkshire-based subsidiary of Management Agency and Matic, has acquired the Hotel at Wokingham, Berkshire.

ASSOCIATE DEALS

Saring Bros. has bought 60,000 Electronic Rentals at 10 1/2 pence. Hurst-Brown has bought 100,000 shares at 63p.

SHARE STAKES

Johnson Group Cleaners: London and Manchester Assurance acquired a further 72,000 9 per cent Preference shares on November 24, bringing the total to 81,500 shares.

SHARE STAKES

328,800 shares bringing its holding to 3,008,002 shares. Hume Holdings: Rothschild Investment Trust has increased its holding of 1,100,000 Ordinary shares (27.02 per cent).

RIGHTWISE/DEUNDE

Rightwise has purchased or received 50 per cent of the shares in Rightwise and Deunde.

WATERFORD GROUPS

The Waterford Group has nationalised its operations in the U.K. The group has merged its U.K. interests with J. Widdart and Company, its sole agents in U.K.

WATERFORD GROUPS

The Waterford Group has nationalised its operations in the U.K. The group has merged its U.K. interests with J. Widdart and Company, its sole agents in U.K.

MONEY MARKET

Table with columns: Sterling Certificate of deposits, Interbank, Loan Authority deposits, Local Authority deposits, Finance House deposits, Company deposits, Discount rates, Treasury bills, 3 months, 6 months, 12 months, 18 months, 24 months, 30 years.

Extremely large help

Bank of England Minimum Lending Rate 7 per cent. (since November 23, 1977). Day-to-day credit was in very short supply in the London money market yesterday and the authorities alleviated the shortage by using an extremely large amount of Treasury bills.

BLACK DIAMONDS PENSIONS LIMITED Offer for the Ordinary Shares of THE BRITISH INVESTMENT TRUST LIMITED The Offer closes at 3-p.m. on Monday, 12th December, 1977 SEE PAGE 30

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pension Fund. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

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THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA ISSUE OF £7,500,000 The Royal Borough of Kensington and Chelsea 11 1/2 per cent. Redeemable Stock, 1985-87 PRICE OF ISSUE £98 1/2 PER CENT.

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA APPLICATION FORM FOR THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA 11 1/2 per cent. Redeemable Stock, 1985-87 Issue of £7,500,000 Stock at £98 1/2 per cent.





INTERNATIONAL FINANCIAL AND COMPANY NEWS

Squaring Bundesbank's financing options

By Jeffrey Brown

Speculation on the shape and amount of the government's traditional end of year funding...

Start-up costs hit Reed Intl. subsidiary

By Richard Stuart

JOHANNESBURG, Dec. 5.

START-UP LOSSES at Reed International's 50 per cent-owned Stanger Pulp and Paper...

Yen cuts Nissan Motor

TOKYO, Dec. 5.

NISSAN MOTOR COMPANY, the maker of Datsun cars, said that its profit before tax...

\$A8.6m. bid for Bradmill Industries

By James Forth

SYDNEY, Dec. 5.

BRADMILL INDUSTRIES, the major textile group, has received a joint \$A8.6m. offer...

\$120m. Euroloan for Trinidad

By David Renwick

PORT OF SPAIN, Dec. 5.

THE TRINIDAD and Tobago government will borrow about \$120m. in the Eurodollar market...

Export prices at Makita

By Yoko Shibata

OWING to a prolonged recession, coupled with the recent higher Yen exchange rate...

Profits downturn in Japan

By Yoko Shibata

OWING to a prolonged recession, coupled with the recent higher Yen exchange rate...

Profits downturn in Japan... experienced setbacks. This means that two out of three companies...

SELECTED EURODOLLAR BOND PRICES

Table with columns for Bond Type, Bid, Offer, and Price. Includes categories like STRAIGHTS, MID-DAY INDICATIONS, STERLING BONDS, and FLOATING RATE NOTES.

FOREIGN EXCHANGES

Table showing Market Rates for various cities: New York, Montreal, Amst'rdam, Brussels, Copenh'gen, Frankfurt, Lisbon, Madrid, Milan, Oslo, Paris, Stockholm, Tokyo, Vienna, Zurich. Columns include Oct. 16, Bank Rates, Day's Spread, and Close.

Whitecroft

Interim statement by the chairman Mr. J. Tavaré. Group profit before taxation for the half year ended 30th September 1977 of £1,778,000...

Investments in areas of business growth continue and we expect major contributions to be made by them next year.

Summary of results table with columns for Half year ended 30th September 1977, Half year ended 30th September 1978, and Year ended 31st March 1977.

Whitecroft Limited. Textiles, building supplies, building, engineering and leather. Copies of the interim report may be obtained from: The Company Secretary...

Exchange a few problems for answers at Creditanstalt-Bankverein. With exchange rates moving so quickly, the difference between making and losing money in any transaction can be fractional indeed.

Creditanstalt-Bankverein advertisement. Includes logo, address (Schottengasse 6, A-1010 Vienna), and telephone number (0222) 6622-1224/2589.



# Debunking the many myths about Japanese foreign investment

**WHY IS Japan the only country** whose investments in Britain are generally the subject of an agreement fixing a percentage of output for export and enforcing the use of a percentage of components of local manufacture? Why is Swedish capital, through SKF, a member of the so-called "British Bearing Manufacturers' Association," while Japanese capital, through NSK, is not? Why does a British Prime Minister rightly regard a major American investment by Ford, as a triumph, while the prospect of a similar investment by a Japanese motor manufacturer would at very least cause a fluttering in the political dovecotes?

The answer lies partly in prejudice, partly in a misunderstanding about the difference between the legitimate short-term interests of domestic manufacturing industry and the long-term national interest. The prejudice is based on some widely held myths about Japanese investment.

Myth No. 1 is that Japanese industries have a mysterious oriental technique enabling them to "flood" markets with heavily subsidised or "dumped" goods for a sufficiently long period to destroy the local manufacturing industry; then, so the myth presumably continues, they form a cartel, rig the prices, and get all their money back.

Of course Japanese manufacturers sometimes dump goods below cost as does every manufacturing country in the world. However, while the relationship between Japanese banks and industry is different from that in Britain, it is difficult to identify any hidden financial advantages that Japanese companies have of avoiding the bankruptcy that normally follows if sales fail to cover costs. While the Japanese Government may exact less tax (although with the many legitimate ways of avoiding corporation tax in the U.K. it is honoured. Certainly at least two Japanese companies in the U.K. have moved heaven and earth (successfully) to overcome enormous difficulties in the quality of the U.K. components which they had promised to use.

Myth No. 2 is that the wicked men of the Orient are bad employers. This is quickly dismissed. The success of the initial Japanese companies investing in the U.K. in their labour relations is now the subject of much independent praise from the local trade unions and industrial relations commentators.

These general myths acquire an even nastier look when they are applied to a specific investment. Take the proposed Hitachi television set plant in the North East, for example. The first and foremost myth is that by keeping the company out, the British Government will be able to protect the domestic manufacturing industry. Not so. If the British Government keeps Hitachi out, it will merely be delayed for a year or two before setting up in another EEC Japanese go back on their word. No doubt they sometimes do—as do most people. It is, however, a matter of checkable fact that every Japanese company investing in the U.K. has been asked to give undertakings that are not required for most overseas investments. The country will also forfeit the secondary employment, and above all the favourable effect on the balance of payments.

The domestic manufacturing industry is objecting because it has legitimate short-term interests which, as it happens, do not correspond to the national interest. In the short-term anything that slows Hitachi down for a year or two years is helpful to its competition.

The second Hitachi myth—that the Japanese intention is to capture the market by "subsidised" price competition

implications about the efficiency of the domestic manufacturing industry! It is entirely legitimate for the domestic manufacturing industry to pursue its interests as it sees them. But for that reason it is essential that responsible politicians and trade union leaders identify the real national interest at stake on any issue.

When a similar storm of protest was raised against the NSK bearing manufacturing company by the British bearing industry, Mr. Eric Heffer, M.P., as Minister of State in the Department of Industry, with admirable honesty and courage stood up to explain the decision to let NSK in and gave the objectors an elementary arithmetic lesson in the interest of the nation. He pointed out clearly that if NSK did not come to the U.K. it would go to another EEC country and from there it would compete just as hard with a negative effect on the balance of payments, nor would it employ British people.

The Hitachi proposal has become a crucial test of the Government's attitude. If the proposal is rejected the deterrent effect on other Japanese investors will be considerable.

But while there is a selfish British national interest in taking advantage of the long term opportunities of receiving Japanese investment, the Japanese themselves must take the lion's share of the blame for what can only be described as insidious propaganda war in the U.K. They are often depicted as subtle people with immensely devious long-term intents. The reverse is often true. By and large Japanese investors in Europe have wholly failed to understand or to come to grips with the local political systems and to manipulate them with the same skill as their opponents. The reasons lie at the heart

of the system of Japanese management. Whereas the Japanese are famed for delegating to middle-management, when it comes to politics the elder statesmen on the main board tend to make the running together with senior officials from the Ministry of Trade and Industry. Thus the less well-versed, poorer English speaking older generation of Japanese business is determining political conduct. In most cases they choose to keep their heads down.

This is a pity since most Japanese companies have a younger generation of executives who speak good English; have lived in the U.K. or the U.S. for a long time, and who should be in the front line of negotiation and communication with British institutions. If common sense and the mutual interests of the British and Japanese are to prevail, the large Japanese corporations must seek through their younger managers—as well as their locally hired managers—in addition equivalent skills in communication and European politics to the technical and manufacturing skills they already have.

Finally, while it is easy to make suggestions from outside, there is little doubt that the British Government should be adopting a more direct and aggressive approach in securing Japanese investment before Japanese themselves must take the lion's share of the blame for what can only be described as insidious propaganda war in the U.K. They are often depicted as subtle people with immensely devious long-term intents. The reverse is often true. By and large Japanese investors in Europe have wholly failed to understand or to come to grips with the local political systems and to manipulate them with the same skill as their opponents. The reasons lie at the heart

**Mr. Dennis Stevenson, chairman of Aycliffe and Peterlee Development Corporations, played a major part in persuading NSK, the Japanese ball-bearing company, to establish a plant at Peterlee. Here he says that Britain should jump at Hitachi's plan to make TV sets in the North East.**

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## ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office.

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**ENGLISH NATIONAL OPERA**  
Tonight 7.30 and 9.15. Tomorrow 7.30. Ballroom, Thurs and Sat 7.30. The Merry Widow (Always available day of performance).

**ROBINSON**  
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**THE ROYAL OPERA**  
Tonight 7.30. Tomorrow 7.30. Ballroom, Thurs and Sat 7.30. The Merry Widow (Always available day of performance).

**THEATRES**

**ADRIAN PHOENIX**  
Tonight 7.30. Tomorrow 7.30. Ballroom, Thurs and Sat 7.30. The Merry Widow (Always available day of performance).

**THEATRES**

**ADRIAN PHOENIX**  
Tonight 7.30. Tomorrow 7.30. Ballroom, Thurs and Sat 7.30. The Merry Widow (Always available day of performance).

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## What the Alexander Howden Group is aiming for.

We're aiming to consolidate and improve our position as one of the largest and most efficient insurance groups. We're aiming to develop new markets through our Insurance and Reinsurance Brokers, Underwriting Agencies and Insurance Companies. We're aiming to continue our policy of planned expansion and acquisition where we see opportunities. We're aiming to add to our reputation for effective solutions to insurance problems for clients all over the world. And—as our doubling of profits and earnings per share in the last four years has shown—our aim has been pretty good.



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Dow slips 3 more in quiet trading + FOREIGN EXCHANGES

BY OUR WALL STREET CORRESPONDENT

STOCKS ON Wall Street declined a bad showing, were certainly moderately in quiet trading in nothing to get excited about, what analysts saw as more an absence of demand than much in the way of selling pressure.

The Dow Jones Industrial Average slipped 2.95 to 821.03, the NYSE All Common Index lost 22 cents to 332.12, while declines out- paced gains by 873 to 862. Turnover contracted by 2,000 shares in the 18.10m. compared with last Friday's figure.

MONDAY'S ACTIVE STOCKS

Table with columns: Stock Name, Price, Change, Volume. Includes Alcoa, J. Ray McDermott, Citicorp, etc.

Indices

Table showing Dow Jones Industrial Average and other indices with columns for Dec 5, Dec 6, and percentage changes.

The Toronto Composite Index relinquished 1.9 to 1029.6, Oil and Gas came back 1.3 to 1391.1, and Banks declined 0.60 to 232.12, but Papers rose 0.43 to 91.32.

PARIS—Only the 37 shares in the Corbeil section were traded due to a union meeting, and these were mostly lower, Bourse sources said.

OTHER MARKETS

Canada easier Following the recent good performance, Canadian stock markets displayed an easier bias yesterday, although the Toronto market was particularly heavy trade.

The U.S. dollar continued to lose ground in yesterday's foreign exchange market as a general lack of confidence prompted some fairly heavy selling. Initial losses in the West German mark improved to D.M.21.850 from D.M.21.200 against Sw.Frs.2.190.

The slide continued despite intervention by several central banks notably the West German Bundesbank and the weakness of the dollar brought renewed pressure to bear on the weaker members of the Snake with the Belgian, Danish and Norwegian currencies all slipping below their lower intervention points against the mark.

EXCHANGE CROSS-RATES

Table showing exchange rates for various currencies including Frankfurt, New York, Paris, Brussels, London, Amsterdam, Zurich.

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The slide continued despite intervention by several central banks notably the West German Bundesbank and the weakness of the dollar brought renewed pressure to bear on the weaker members of the Snake with the Belgian, Danish and Norwegian currencies all slipping below their lower intervention points against the mark.

EURO-CURRENCY INTEREST RATES

Table showing interest rates for various currencies and terms including London, Paris, Frankfurt, Zurich.

GOLD MARKET

Table showing gold prices in various currencies including London, New York, Zurich, etc.

FOREIGN EXCHANGES

Table showing foreign exchange rates for various currencies including New York, London, Amsterdam, etc.

OTHER MARKETS

Table showing other market data including various commodity prices and exchange rates.

OVERSEAS SHARE INFORMATION

Large table listing various international stocks with columns for Stock Name, Price, and Change. Includes companies like Anglo American, Anglo Siam, Anglo Siam, etc.

INVESTMENT PREMIUM (BASED ON \$20 PER £-86 1/2%)

Table showing investment premiums for various international stocks, including columns for Stock Name, Price, and Change.

AMSTERDAM

Table showing Amsterdam stock market data with columns for Stock Name, Price, and Change.

COPENHAGEN

Table showing Copenhagen stock market data with columns for Stock Name, Price, and Change.

MILAN

Table showing Milan stock market data with columns for Stock Name, Price, and Change.

BRUSSELS

Table showing Brussels stock market data with columns for Stock Name, Price, and Change.

PARIS

Table showing Paris stock market data with columns for Stock Name, Price, and Change.

VIENNA

Table showing Vienna stock market data with columns for Stock Name, Price, and Change.



FARMING AND RAW MATERIALS

Zambian Minister calls for copper output cut

BY OUR COMMODITIES STAFF
JOSLEY CHINKULI, the Zambian Minister for Mines, yesterday called on the world's main copper producers to cut their output by 10 to 15 per cent.

Ghana cocoa figures raise doubts

By Richard Mooney
THE RELEASE of the latest Ghana cocoa purchases figure yesterday did little to clear up the mystery surrounding the state crop.



Freshly clipped and wrapped to protect their new hairdos against soiling, a pair of Soork sheep await judging at the Royal Smithfield Show, Earls Court, London, yesterday.

Lower South African wool earnings forecast

BY BERNARD SIMON
JHANNESBURG, Dec. 5. SOUTH AFRICA'S wool export earnings during this season will probably be lower than last year's R182m, says a study by Standard Bank.

Smelters reject aluminium plan

BY CHRISTOPHER PARKES
BRITAIN'S LEADING aluminium smelters and first-line processors are angry about a plan to introduce futures dealings in the metal at the London Metal Exchange.

Coffee price cut 'to test market'

BY DAVID WHITE
RIO DE JANEIRO, Dec. 5. BRAZIL'S COFFEE policy has been down to earth with the Brazilian Coffee Institute's 34 per cent cut in its official floor for exported beans, announced late on Friday.

Industry in U.S. uses less silver

WASHINGTON, Dec. 5. U.S. INDUSTRIAL silver use in the third quarter fell 18 per cent from the second quarter, to 35.4 million ounces, says the Bureau of Mines.

India still short of edible oils

INDIA'S IMPDRTS of oil and fats may approach last season's high level of 2.0 million tons, says the Hamburg-based publication Oil World.

NatWest farm chief leaves

MR. PETER Clary, agricultural manager of the National Westminster Bank for more than 10 years, is to be leaving director of Lande Improvement, claimed to be the oldest agricultural lending institution in Britain.

Plywood import quota plea ignored

YAIN'S plywood import pattern of trade and results in the last year under the EEC Generalized Scheme of Preferences (GSP) will be 238,800 cubic metres, as this year.

Sugar growers cut production

THE NEW International Sugar Agreement, which is not due to come into force until January 1, is making itself felt in world markets, says brokers E. D. and F. Man.

India still short of edible oils

INDIA'S IMPDRTS of oil and fats may approach last season's high level of 2.0 million tons, says the Hamburg-based publication Oil World.

COMMODITY MARKET REPORTS AND PRICES

Table with columns for various commodities like Tin, Rubber, Soyabean, and their prices. Includes sub-sections for Metals and Rubber.

COFFEE

Table showing coffee prices for various grades and origins, including Arabica and Robusta.

RUBBER

Table showing rubber prices for different types and origins, including RSS and CR.

PRICE CHANGES

Table listing price changes for various commodities, including metals and oils.

INDEX LIMITED 01-351 3466

January Coffee 1859-1874
London SW10 0HS.

GRAINS

Table showing grain prices for wheat, barley, and other cereals.

SOYABEAN MEAL

Table showing soyabean meal prices for various grades and origins.

U.S. Markets

Table showing U.S. market prices for various commodities like cotton, sugar, and oil.

FINANCIAL TIMES Commodities Appointments

The Financial Times appointments to publish a new section entitled Commodities Appointments to appear within our regular Thursday Appointments columns commencing on Thursday, 19th January, 1978.

THE C.C.S.T. WEEKLY MARKET REPORT

For details of advertising in this new section contact: Steve Nevitt or Mike Hills on 01-248 8000 ext. 591 or 588.

CCST Commodities Ltd

Valislogham House, 35 Seething Lane, London EC3N 4B

WHEAT

Table showing wheat prices for various grades and origins.

SUGAR

Table showing sugar prices for different types and origins.

FINANCIAL TIMES

Table showing financial times data for various commodities.

COCOA

Table showing cocoa prices for various grades and origins.

WOOL FUTURES

Table showing wool futures prices for different types and origins.

REUTERS

Table showing Reuters market data for various commodities.

NOTICE TO BONDHOLDERS

THE KOREA DEVELOPMENT BANK
United States Dollars 9 1/2% Guaranteed Bonds Due 1981

JUTE

Table showing jute prices for various grades and origins.

MEAT/VEGETABLES

Table showing meat and vegetable prices for various types and origins.

MOODY'S

Table showing Moody's market data for various commodities.

COMPANY NOTICES

THE KOREA DEVELOPMENT BANK
United States Dollars 9 1/2% Guaranteed Bonds Due 1981

World rubber usage higher

WORLD natural rubber production was 2.02m tonnes in the first seven months. In the same period last year it was 1.97m, and 3.54m for the whole of last year.

South Korea's rice record

SEOUL, Dec. 5. SOUTH KOREA'S rice harvest rose 15.3 per cent to a record 3.1m tonnes this year.





AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of authorised unit trusts including categories like British Life Office, Guinness, and various international funds.

Table of offshore and overseas funds including categories like Fidelity, Kemp-Gee, and various international investment funds.

Table of base lending rates for various banks and financial institutions.

Table of insurance base rates for various types of insurance.

The war that never ends. We British are a peaceful people. When a war is over we like to consign it to the history books...

Table of fund managers and their respective unit trusts, including names like Garton, Perpetual, and various international funds.

INSURANCE, PROPERTY, BONDS

Table of insurance, property, and bond services, including companies like Abbey Life, Credit & Commerce, and various pension funds.

NOTES. Prices do not include premium, except where indicated, and are in pence unless otherwise stated...

EXPORTERS- CASH FLOW GUARANTEED

Contact B. D. Hay INTERNATIONAL FACTORS LTD

BRITISH FUNDS

Table of British Funds with columns for Name, High, Low, Stock, Div, and Yield.

Table of Five to Fifteen Years funds with columns for Name, High, Low, Stock, Div, and Yield.

Table of Over Fifteen Years funds with columns for Name, High, Low, Stock, Div, and Yield.

Table of Unlisted funds with columns for Name, High, Low, Stock, Div, and Yield.

INTERNATIONAL BANK

88% 1/2% (per Stock 77-82) 86% 1/2% 5.78 8.51

CORPORATION LOANS

Table of Corporation Loans with columns for Name, High, Low, Stock, Div, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans with columns for Name, High, Low, Stock, Div, and Yield.

LOANS

Table of Loans with columns for Name, High, Low, Stock, Div, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails with columns for Name, High, Low, Stock, Div, and Yield.

AMERICANS

Table of American stocks with columns for Name, High, Low, Stock, Div, and Yield.

FT SHARE INFORMATION SERVICE

AMERICANS-Continued

Table of American stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

CANADIANS

Table of Canadian stocks with columns for Name, High, Low, Stock, Div, and Yield.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase with columns for Name, High, Low, Stock, Div, and Yield.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits with columns for Name, High, Low, Stock, Div, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails (continued) with columns for Name, High, Low, Stock, Div, and Yield.

AMERICANS

Table of American stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

BUILDING INDUSTRY-Cont.

Table of Building Industry stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

CANADIANS

Table of Canadian stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase (continued) with columns for Name, High, Low, Stock, Div, and Yield.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits (continued) with columns for Name, High, Low, Stock, Div, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails (continued) with columns for Name, High, Low, Stock, Div, and Yield.

AMERICANS

Table of American stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

DRAPERY AND STORES-Cont.

Table of Drapery and Stores stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

CANADIANS

Table of Canadian stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase (continued) with columns for Name, High, Low, Stock, Div, and Yield.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits (continued) with columns for Name, High, Low, Stock, Div, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails (continued) with columns for Name, High, Low, Stock, Div, and Yield.

AMERICANS

Table of American stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

ENGINEERING-Continued

Table of Engineering stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

CANADIANS

Table of Canadian stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase (continued) with columns for Name, High, Low, Stock, Div, and Yield.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits (continued) with columns for Name, High, Low, Stock, Div, and Yield.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails (continued) with columns for Name, High, Low, Stock, Div, and Yield.

AMERICANS

Table of American stocks (continued) with columns for Name, High, Low, Stock, Div, and Yield.

HOTELS-Continued

Table of Hotels with columns for Name, High, Low, Stock, Div, and Yield.

INDUSTRIALS (Misc.)

Large table of Industrial stocks (Miscellaneous) with columns for Name, High, Low, Stock, Div, and Yield.

Handwritten signature 'J. J. J. J.' at the bottom of the page.



INDUSTRIALS—Continued

Table of industrial stocks including Lloyds Bank, British Petroleum, and various engineering firms.

INSURANCE—Continued

Table of insurance companies such as Sun Alliance, Commercial Union, and others.

PROPERTY—Continued

Table of property-related stocks and companies.

INV. TRUSTS—Continued

Table of investment trusts including various funds and trusts.

FINANCE, LAND—Continued

Table of finance and land-related stocks and companies.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their stock prices.

SHIPBUILDERS, REPAIRERS

Table listing shipbuilders and repairers.

SHIPPING

Table listing shipping companies.

SHOES AND LEATHER

Table listing shoe and leather companies.

SOUTH AFRICANS

Table listing South African stocks.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

PAPER, PRINTING ADVERTISING

Table listing paper, printing, and advertising companies.

PROPERTY

Table listing property-related companies.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

INSURANCE

Table of insurance companies.

PROPERTY

Table of property-related companies.

FINANCE, LAND, ETC.

Table of finance, land, and other companies.

FINANCE

Table of finance companies.

DIAMOND AND PLATINUM

Table of diamond and platinum companies.

YASUDA TRUST AND BANKING advertisement.

MINES—Continued

Table of mine stocks including Central African.

AUSTRALIAN

Table of Australian stocks.

TINS

Table of tin stocks.

COPPER

Table of copper stocks.

MISCELLANEOUS

Table of miscellaneous stocks.

NOTES

Notes section containing various financial notices and company announcements.

REGIONAL MARKETS

Table of regional market data.

OPTIONS

3-month Call Rates

Table of 3-month call rates for various companies.



Tuesday December 6 1977

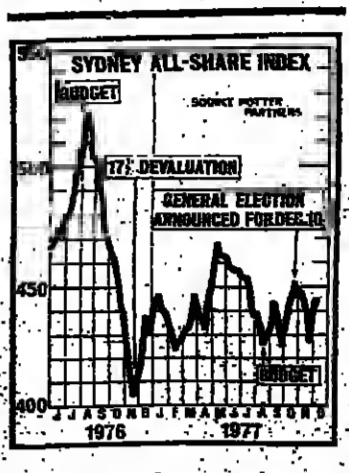
Top quality ventilation  
**Vent-Axia**  
the fug fighter

THE LEX COLUMN

## No need for the NEB at Fairey

If Fairey's U.K. engineering companies had been threatened with piecemeal disposal after the appointment of a receiver in the parent company, then some form of intervention by the National Enterprise Board might have been understandable. The same might have been true if in the Government's view the companies concerned commanded a key position in the economy, or dominated an important industrial sector which required structural changes.

### Index fell 0.4 to 486.3



The October trade figures showed exports a mere 5.5 per cent higher on the year; imports were 23 per cent higher. The deficit in services, however, has deteriorated private and foreign capital flows, which in earlier years had been a major source of funds to help pay the balance of payments. While last year's development has helped the country's competitiveness in exports, the underlying balance of payments situation still looks worrying. The Government has recently embarked on a \$400 million overseas borrowing programme to prop up the currency in the balance of payments. It has also increased the country's foreign exchange reserves to \$1,500 million and covered last three months' imports.



Mr. Geoffrey Rippon, who succeeds Sir James Goldsmith at Britannia Holdings.

## Rippon is new Britannia Holdings chief

SIR JAMES GOLDSMITH has stepped down as chairman of Britannia Holdings, the former Slater Walker Securities banking group. The new non-executive chairman is Mr. Geoffrey Rippon, leader of the Conservative group in the European Parliament. Other members of the caretaker management have also stepped down.

The new Board structure reflects the changes in the group, whose interests are now chiefly in investment management through unit trust interests and the insurance company subsidiary. The property interests of the group, which with the banking side were responsible for the troubles of SWS, have now been largely run down.

## Polish ship contract 'not in jeopardy'

OFFICIALS HERE said there was no question of the £15m order to British Shipbuilders being in jeopardy because the work had not been allocated to specific yards.

The general feeling was that British Shipbuilders' present problems were an internal affair and the Poles were ready to sign specific contracts as soon as the details of allocation were fixed.

Officials implied that too much work had gone into the year-long negotiation for any substantial changes to be under consideration at the moment.

The fact that some of the work had not been allocated was not regarded as affecting the recently signed framework agreement.

The decision at Govan, which has so far been allocated one of the seven bulk carriers originally intended for Swan Hunter, was accompanied by a plea to the Swan Hunter men that they should lay aside their grievances over pay and allow at least some of the ships to be built on the Tyne.

**Confused**

Mr. George Aroold, chairman of the Confederation of Shipbuilding and Engineering Unions, said he was examining the possibility of a "far wages" claim for the Tyne yards but it was unlikely that this would solve the Tyne's pay parity problems soon enough to affect the out-fitters' response to the Polish order.

The overall position is still confused. British Shipbuilders has reallocated two of the ships to Smitbs Docks on the Tees after saying it had received the out-fitters' assurances from the workforce.

That arrangement has already run into trouble, however, with members of the white collar section of the engineers' union at

## Further reflationary moves not prudent Schmidt warns EEC

IN SPITE OF their dissatisfaction with the sluggish state of the world economy, leaders of the Nine Common Market Governments still appear far removed from a common view on what, if any, new measures should be taken to stimulate growth.

This was the clear impression emerging from the first day of the two-day EEC summit here, at which this afternoon's discussions were mainly concerned with broad economic policy questions.

A cautious note was struck from the start by Chancellor Helmut Schmidt, who reminded his colleagues of the deflationary measures which West Germany had already taken, and left them in little doubt that his Government considered the further action would not be prudent at the moment.

Pointing out that the federal budget was expected to run its largest-ever deficit next year, he warned delegates that governments must avoid applying excessive stimulus through the public sector.

Herr Schmidt said that governments must avoid the temptation to give way to those who "pretend to have panaceas," and especially to those advocating a more energetic use of the printing press as a way to relapse economies.

These strictures were apparently a discreet rebuff to Mr. James Callaghan, Prime Minister, who urged increased emphasis should be placed on achieving a steady and controlled expansion, to which the stronger EEC economies would make the biggest contribution.

Mr. Callaghan's argument appeared to receive little direct support from President Valeric Giscard d'Estaing, whose forecast that the EEC would have to live for several more

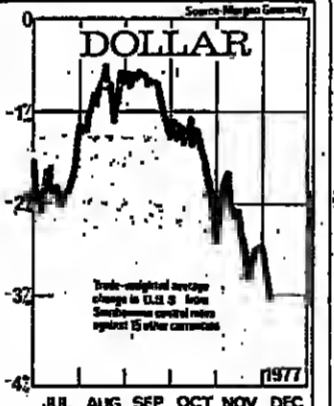
## Dollar hits new lows on heavy selling

By Michael Blinden

THE DOLLAR again dropped to new low levels against the strong European currencies yesterday as a result of continued heavy selling.

Its weakness prompted continued substantial support operation by the European central banks, as the market in the extreme markets brought further strains on the European snail. Joint floating arrangements.

In Frankfurt the West German Bundesbank was reported to have bought between \$150m and \$200m in one of its biggest recent support operations. Nevertheless the dollar fell below DM2.20 for the first time to reach a low of DM2.1850 at one stage.



## Doubts over further sterling bond issues

By Mary Campbell

THREE outstanding sterling Eurobond issues, £100m for Fisons, £25m for the European Investment Bank and £20m for Courtauld, were priced yesterday and suggestions that no further sterling Eurobond issues would be announced for some time.

The interest rates of the Fisons issue was raised to 10 1/2 per cent from the indicated level of 10 per cent and the issue price was set at par.

In the case of the bank the price has been set at 97 1/2 and the coupon remains at the 9 1/2 per cent level to which it was raised last week during the offering period.

For Courtauld the coupon was kept at 9 1/2 per cent, but the price was put at 98, to yield 10.04 per cent.

Sentiment in the international bond market has moved against the idea of sterling Eurobonds in the week since these two issues were announced. A delayed reaction to the two-point rise in the minimum lending rate 10 days ago was one reason for this.

Another was the speed with which issues have been made in this market. The first after the Bank of England gave the go-ahead for sterling Eurobonds was only four weeks ago, and a total of six issues have been announced.

The flood of foreign money into gilt-edged securities earlier this year had prompted London issuing houses to explore the possibility of using sterling in the Eurobond market. However, various problems, including, for example, exchange control, had to be overcome.

At the same time borrowers were quick to launch issues, if only to catch the market while it lasted, must looking investors with more paper than they could digest.

## Labour faces trouble over internal probe

BY RUPERT CORNWELL LOBBY STAFF

THE LABOUR PARTY last night opened a box of trouble and embarrassment for itself by giving an implicit go-ahead for a searching review of its organisation and finances.

The decision, taken at an off-the-record meeting of the NEC's reorganisation sub-committee, represents a victory for trade unions and moderate MPs—with the blessing of the Prime Minister—who are unhappy at the Left's grip on Labour's internal workings.

Left-wingers suffered a second setback when the sub-committee decided to establish a working party to look further into the reorganisation issue, the automatic re-election of MPs is a move they see as a device to stall such plans as long as possible.

Both steps were taken on the chairman's casting vote after two

## Continued from Page 1 Raw materials

stability of commodity prices. The price index for materials and fuel bought by manufacturing industry fell by just over 1 per cent in November to 330.3 (1970=100), about the same as the 1 per cent lower than in November, 1976.

The main influence on raw material costs last month was the rise in sterling after the decision to allow a free float. This was particularly reflected in the 1 1/2 per cent fall in November in the index for materials bought by non-food manufacturing industry. Crude oil accounted for more than half the fall.

Although the impact of the rise in sterling to date has now largely worked through, most forecasters are assuming a relatively flat trend in world commodity prices for most of next year.

The non-food output price index increased by 1 per cent in the last three months, the smallest quarterly

## Weather

U.K. TO-DAY  
CLOUDY, rain at times.  
London, SE. Cent. S. England, Midlands, Wales, N. Ireland, Cloudy, rain. Wind SE, fresh to 2.05 per cent.

BUSINESS CENTRES

City	Temp	Wind	Cloud
Amsterdam	5	4	100
Berlin	6	4	100
Brussels	5	4	100
Frankfurt	5	4	100
Geneva	5	4	100
London	5	4	100
Madrid	5	4	100
Munich	5	4	100
Norwich	5	4	100
Paris	5	4	100
Rome	5	4	100
Stockholm	5	4	100
Zurich	5	4	100

HOLIDAY RESORTS

City	Temp	Wind	Cloud
Ajaccio	19	30	100
Biarritz	15	20	100
Bournemouth	12	20	100
Canary Islands	18	20	100
Cardiff	10	20	100
London	10	20	100
Manchester	10	20	100
Newcastle	10	20	100
Nottingham	10	20	100
Sheffield	10	20	100
Southampton	10	20	100
Wolverhampton	10	20	100

## Vance Mid-East tour

Continued from Page 1

lish a mutual security pact; to "freeze" diplomatic relations with Cairo; to boycott any Egyptian company, institution or persons trading with Israel; and to seek the removal of the Arab League headquarters from Cairo and Egypt's expulsion from it.

Roger Matthews writes from

East dispute to talks in Cairo. The U.S. Administration now appears more than ever anxious to persuade the Egyptian leader from undertaking any further initiatives.

Mr. Vance's trip scheduled to last at least until December 15, it may well also have the effect of further delaying the start of the Cairo talks.

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